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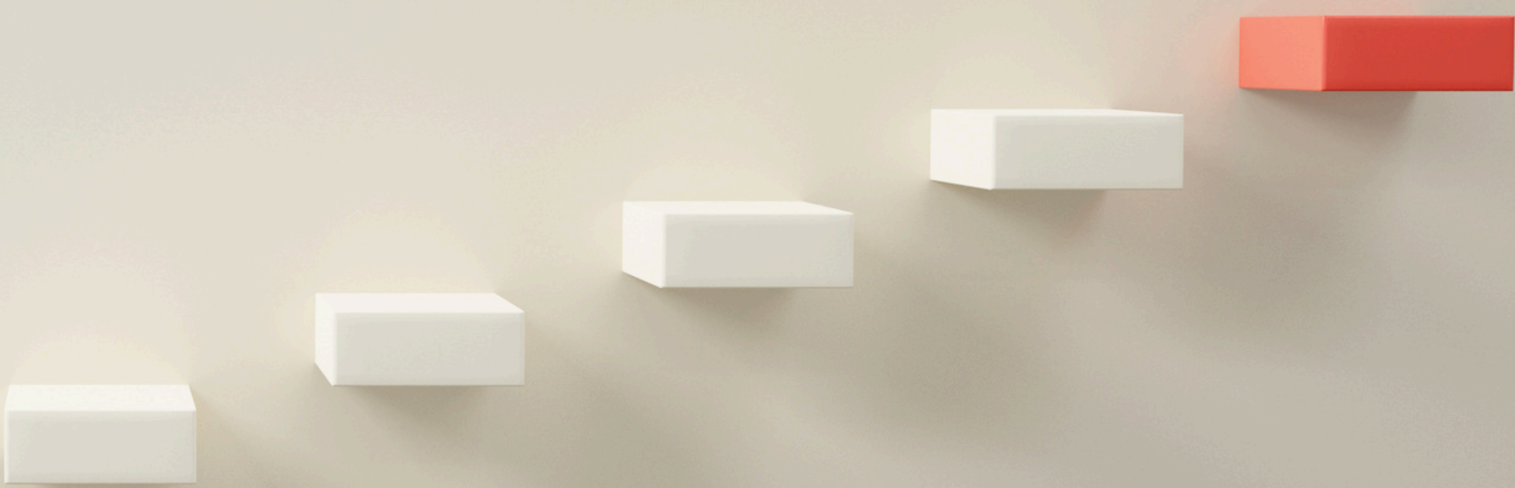
# ACCESSION BEFORE MEMBERSHIP

## Bringing South East Europe 6 into EU Cohesion and EU Industrial policy debates

*a Tirana Connectivity Forum Working paper*



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**Authors:**

Ardian Hackaj, Coordinator of Tirana Connectivity Forum, Director of Research, Cooperation and Development Institute

Krisela Hackaj, Executive Director, Cooperation and Development Institute



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Cooperation and Development Institute
"Dervish Hima" Street, Building No. 5, Entry 14, 1011, Tirana, Albania
E-mail: info@cdinstitute.eu | Website: www.cdinstitute.eu




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## Abstract

The EU's Enlargement into South East Europe 6 (SEE6)[1] is back on the agenda, with 2030 mentioned as next wave's target date. This timeline puts into focus the preparedness of candidate countries, as well as that of the EU as emphasized by Enlargement Solidarity Facility in the Letta report. Meanwhile, the discussions on the future of EU Cohesion policy are intensifying with "conditionality" being the main debating argument. Any changes to the Cohesion policy will directly impact the EU's policy on Competitiveness, whose state of affairs has been presented lately in the Draghi report.

Being de-facto in the EU, SEE6 are both beneficiaries and contributors to Union's prosperity, security and resilience. Including this region into EU policy-making process on Cohesion and Competitiveness, dedramatizes Enlargement, enhances preparedness of both EU and SEE6 for post-membership and practically contributes to the future of European cohesion, competitiveness and resilience.


[1] To avoid negative connotations of Western Balkans, we use the term South East Europe 6 – SEE6 for the group of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia

# I. Expanding the scope of accelerated integration

The Enlargement of the EU is back on the agenda, with 2030 mentioned as the possible date for the next wave. The debate on the number of new members varies from two front-runners to all six Western Balkans, or even to a big bang of nine countries (including Moldova, Georgia and Ukraine). By virtue of this calendar, of the potential sheer scale of new members or of their sizeable convergence gap with the EU, the next enlargement requires the EU to adopt a coherent approach that links pre-accession instruments supporting the candidate countries to the reform of its own policies and of respective financial instruments.

The accelerated integration approach aims to move beyond a strict in-or-out model by offering various levels of integration that provide specific and additional benefits to Candidate Countries, contingent on meeting set conditions. The potential impact on the EU would include adjustments to its political decision-making, to its policies and their financial instruments, and to the overall methodology.

The EU's internal debate on its own Cohesion and Competitiveness are now closely interlinked with the next wave of Enlargement. Whatever the number of new members in 2030, their eventual membership will need to be reflected in the new Multiannual Financial Framework (MFF) 2028 – 2034. Their preparedness to meet membership obligations and avoid back-sliding, alongside lessons learnt from the previous Enlargement waves, must be taken into account in the planning process.

This brings in focus the strategic importance that pre-accession period has for the SEE6 convergence and preparedness. But current Enlargement instruments available during pre-accession are not designed to target convergence. Moreover SEE6 preparedness efforts are like shooting in a moving target as both EU Cohesion and Competitiveness policies are in flux. Any changes to EU Cohesion and Industrial policy will directly impact SEE6 before and after membership.

The EC communication on EC communication on Pre-Enlargement policy reviews and reform, underlines the necessity for future EU policies to be programmed with Enlargement in mind. Accession before Membership (AbM) concept operationalises this necessity by frontloading EU Cohesion and Competitiveness Policies into Enlargement - before SEE6 formal membership to EU. It envisages integrating SEE6 in EU policies, instruments and programs, allowing them to continue necessary reforms in all their internal governance levels while gradually fulfilling all membership requirements.

## II. Accession before Membership

Accession before Membership (AbM) dedramatizes the Enlargement by considering the full membership as only a station in the SEE6 road to EU. It takes stock of the region's current economic integration into the EU, its ever-increasing adoption of the *acquis*, and the contribution of pre-accession period in enhancing SEE6 actors' preparedness for the post-membership period. It also valorises, capitalizes and builds upon SEE6 place-based comparative advantages.

AbM methodology is based on four constatations:

1. SEE6 region is de-facto in the EU, on the account of its economic integration, alignment in norms, standards, legal frameworks, values and of its geography;
2. There is no legal obstacle to include SEE6 into EU policy-making cycle on many sectors (Cohesion, Industrial policy, Green Transition, etc); in relevant programs; as well as in respective instruments, while candidate countries continue to implement the reforms in line with Copenhagen membership criteria;
3. Discussions about how Enlargement might affect EU political decision-making or its budget post-membership do not hinder the inclusion of SEE6 in EU policy-making processes prior to their full membership;
4. SEE6 already contribute to the Union's prosperity, resilience and security.

Accession before Membership approach is built with the convergence criteria in mind. It aims to reap the benefits of good governance dividend delivered by SEE6 earlier participation in EU governance system and aims to respond to an ever faster changing world.

# III. Benefits of Pre-accession participation in EU Cohesion policy

## III.1. Convergence boost

The early and gradual access to the EU Single Market (SM) constitutes now the main dimension of the Enlargement policy. Focusing on the SEE6 convergence with the EU, it consists mainly in adopting the SM EU acquis and in preparing and “certifying” the local SEE6 institutions in charge to enforce the EU SM stringent standards. While SEE6 countries can participate in selected EU Cohesion Policy, Industrial Policy and Single Market programs, they still rely on the IPA financing instrument (unlike EU stakeholders who use proper cohesion or competitiveness funds).

In the EU, growth and infrastructure is dealt with by Cohesion policies and structural funds. In SEE6, IPA instrument is not designed or adapted to region’s convergence needs neither by budget, nor by methodology. Loans prevail over grants, technical assistance over investments, and partnership and territorial development principles are not central to or mainstreamed in it.

The recently adopted Growth Plan (GP) brings in structural pre-accession assistance components to aid SEE6 convergence with the EU.Beside the reforms, GP: i) is focused mainly on SEE6 access to Single Market; ii) is underpinned by regulatory convergence of the region with EU; and, iii) similar to EU Cohesion policy, GP supports connectivity infrastructure mainly in energy, transport and digital. However, unlike the EU Cohesion policy, the Growth Plan does not address “inequalities” or fragmentation that may arise by the eventual early access of SEE6 into EU Single Market.

The additional convergence resulting from SEE6 early participation in EU Cohesion polices, concerns the governance component. Well beyond EU financial contribution, it is its disbursement methodology and the engagement of EU institutions and SEE6 actors in every level of policy-making that will make the difference.

## III. 2 Enhanced Preparedness

The early involvement of SEE6 actors in the EU Cohesion policy ecosystem helps the candidate countries become familiar with the objectives, methodology and procedures of the Structural Funds. This approach reduces the need for lengthy transition periods after membership and contributes to lasting integration and to non-reversibility.

Today’s Connectivity Agenda, Economic and Investment Plan, and Growth Plan can be considered as structural pre-accession instruments. They help SEE6 to align their infrastructures with EU standards, particularly in the domains of transport, energy or environment, similar to how the Cohesion fund supports Member States. They also serve to familiarize the applicant countries with the procedures for implementing structural funds.

However, the IPA programme while funding certain structural measures, lacks the Structural Funds specific working methods. IPA Programme governance does not include regional and local authorities, economic partners, both sides of industry or other relevant organisations. It remains to be seen if Growth Plan governance, including its Monitoring Committee, will upgrade and incorporate Structural Funds' best practices and working methods. Lastly, SEE6 Growth and Reform Facility incorporates the same functioning principles as EU's Resilience and Growth Facility.

The immediate advantage of SEE6 earlier inclusion in EU Cohesion policy, would be the preparation of Candidate Countries institutions for full EU membership obligations well before they are in. This readiness would mitigate many post-accession challenges and problems related to EU fund absorption, implementation and reporting that have affected the last Enlargement wave. Most importantly, it will equip SEE6 institutions to face EU "pressure" from the outset of membership, across all governance levels.

The earlier full participation of SEE6 actors in EU Cohesion policies and programs, will greatly enhance their preparedness and readiness for future integration.

### III.3. Application of Multi-layered conditionality

In the policy-making level, the current debate in Brussels around the new Cohesion policy focusses on a divide: some Member States (MS) advocate for Recovery and Resilience Facility (RRF)-like conditionality (similar to SEE6 Growth Plan conditionality as mentioned above). Others, primarily Central, Eastern and Southern Europe, wish to maintain the current Cohesion Funds principles and allocation rules.

Whatever direction the new EU Cohesion policy will take, the pre-accession inclusion of candidate countries in EU programmes and respective implementation and enforcement mechanisms of EU law and practice, introduces the strongest from of conditionality possible at any layer of SEE6 institutions.

### III.4. Recalibrating EU Financial instruments

The debate on the future of Enlargement, on the new Cohesion Policy and on broader EU Policies and reforms has already started. Given the 2030 target, the SEE6 voice should be represented and heard during EU institutional debates. This is all the more important as it directly impacts the preparation for the new 2028-2034 Multi-Annual Financial Framework (MFF).

As previously explained, early participation in EU Cohesion policies (i.e. in the last years of current MFF 2021 – 2027 and early years 2028 – 2034) should not impact the current EU budget. While IPA and the Growth Plan remain the available instruments, they can be re-calibrated and adapted to address SEE6's convergence, preparedness and multi-layered conditionality needs for accelerated integration.

This recalibration process can start immediately by shaping the composition of Growth Plan Monitoring Committee based on the partnership principle and on best practices for similar Cohesion governance structures. Additionally, including territorial and social actors into infrastructure project cycle financed by IPA or Growth Plan along the lines of EU's Cohesion policy multi-level governance practices, would be another strategic step forward.

With regard to IPA, SEE6 early access to EU Cohesion policy will not impact the amounts dedicated to EU member states. In the new MFF 2028 -2034 the growth-related IPA funds can be moved in a separate EU Cohesion budget line earmarked for SEE6 beneficiaries – a kind of ISPA (Instrument for Structural Pre-Accession). The distribution of these SEE6 earmarked funds will follow exactly the same procedures as the EU Cohesion ones for the EU programmes that cover SEE6. This scheme will be functional until SEE6 are full members.

# IV. Turning the Tables: SEE6 contribution to EU Competitiveness

SEE6 is more than just a regional market of 17 million customers, or a group of countries with an EU vocation; it is also a region with distinct comparative advantages that can contribute to European competitiveness in a concrete way. These advantages lie in its strategic location, in its endowment in resources, in its people and in its alignment with EU rule of law standards.

In the last decade, the SEE6 accumulated a trade deficit with the EU has surpassed one hundred billion euro. A significant part of EU-SEE6 trade includes intermediary goods which are moved within value-producing chains of EU businesses. We posit that beside this advanced integration on the demand side, the SEE6 supply side and region's inclusion in EU supply chain present a tangible and immediate interest for European competitiveness and its strategic autonomy. Already EU businesses have set up many production facilities in the SEE6. As such SEE6 must be included in respective EU strategies and policy-making measures.

To open the debate, we have followed the sector categorization of Draghi Report and identified components, processes, sub-sectors or supply-chain links where SEE6 holds a comparative advantage potential for European industry. In certain sectors we have forwarded recommendations.

This list is by no means exhaustive.

### IV.1. Energy

Due to its geographic location, SEE6 contributes to European interconnectedness, to fluidification of transit, to elimination of bottlenecks on natural gas and power in surrounding Member States, to diversification of EU energy supply, or by offering additional natural gas storages. SEE6 inclusion in EU TEN-E optimizes EU energy supply, reduces price variations and flux congestion as well as minimizes related risks across MS surrounding the region. Further integration of SEE6 energy regulators into the EU Single Market for Energy governance may be a low hanging fruit in this sector.

### IV.2. Critical raw materials

SEE6 can help in increasing and diversifying the available CRM supply, strengthening supply chains, or mitigating risks resulting from sustained higher prices and volatility. Including SEE6 in its CRM strategies, policy-making and respective instruments will lower EU dependence on mining and refining, increase its share in CRM global production (currently SEE6 has 10 mineral deposits in nickel–cobalt while EU has 25, as well as world-scale proven lithium reserves). SEE6 can be included in the European strategy(ies) that covers the entire CRM value chain – from mining to final products. SEE6 actors should be encouraged to apply for Strategic Projects status under CRM Act.

### IV.3. Digitalisation and Advanced Technologies

SEE6 can contribute to Europe's competitiveness strategy for the forthcoming decade, by: i) bringing in its human capital, talent and expertise in Computing and A.I. - many SEE6 talents figure among successful entrepreneurs in US (Open AI) or in EU (iGenius)); and, ii) fill in certain spots in electronic and semiconductor supply chain such as design, packaging and assembly (currently outsourced to East Asia).

### IV.4. Energy Intensive Industries (EII)

SEE6 can bring in a greener energy mix and lower material costs as compared to EU's, especially for mineral and basic-metal industries' outputs destined for neighboring EU countries. The introduction of CBAM in 2026 may initially penalize SEE6 EII producers, and at the same time make the case for an acceleration of green energy investment in the region. Having a potentially abundant and stable supply of cheap low-emission energy, SEE6 are a competitive location for the establishment of green regional industrial clusters around the EU's EIIs.

### IV.5. Clean technologies

Due to lower operating and capital-cost, SEE6 can become a competitive destination for EU companies that are cutting their production in the EU and / or relocating to other world regions with lower production costs. SEE6 can produce different parts of the supply chain, adapted to their place-based comparative advantage (e.g. resource availability, lower cost-structure, optimal connectivity, refining or manufacturing infrastructure presence, etc) all by being part of EU-certified standards on environmental footprint, labor rights, cybersecurity and data security.

### IV.6. Automotive

The inclusion of SEE6 in an EU industrial Action Plan can be an added value reflecting region's comparative advantages in certain stages of automotive value chain such as in mining, supplying raw materials, refining or manufacturing.

### IV.7. Defence

SEE6 complementarity to EU defence industry arising from certain niche-specialisation, can be a source of resilience when the EU's defence industry is viewed as a whole. Moreover SEE6 - EU demand aggregation for defence assets and / or collaborative procurement of defence equipment – at least for SEE6 NATO members, – contribute to the creation of the favourable conditions required to further consolidate Europe's industrial capacities.

### IV.8. Pharma

In a sector of critical importance, SEE6 can bolster the resilience of EU pharmaceutical supply chains by mitigating shortages of critical medicines, most of which are off-patent; strengthening supply resilience; or become a destination of near-shoring through the development of new productions sites.

### IV.9. Transport

Surrounded by EU member countries, SEE6 transport connectivity contributes to quicker, safer and cheaper EU access to goods, resources and services. It directly contributes to EU security, and to defence and military mobility between Black Sea and Adriatic Sea. Completing the Trans-European Transport Network (TEN-T) – where SEE6 is part of – is expected to bring an annual GDP increase of EUR 467 billion in 2050 for the EU. Lastly, the unique expertise gained in SEE6 with the Connectivity Agenda since 2015 and the Economic and Investment plan, can be adapted, upgraded and embedded into EU's Global Gateway.

## Conclusion

An early and gradual SEE6 access to the EU Cohesion Policy toolbox before full EU membership will enhance SEE6 preparedness, promote a speedier SEE6 convergence and allow EU conditionality to permeate all layers of SEE6 institutional governance.

Including the region into the EU Competitiveness strategy will consolidate EU strategic autonomy, directly benefit many EU sectors and economic actors, and anchor SEE6 economy firmly to the Union's.

With 2030 in mind, the time is ripe to include EU Enlargement in SEE6 into EU internal policy-making cycle.

This paper provides reflection scenarios on the utility of accession before membership as well as on its feasibility.

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