



# EU Membership and Development

## The Experience of Central and Eastern Europe

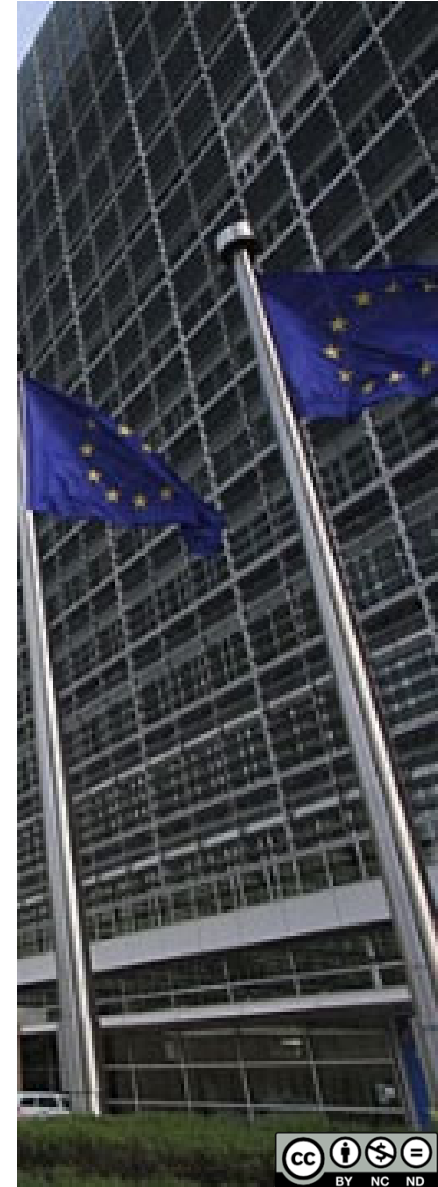
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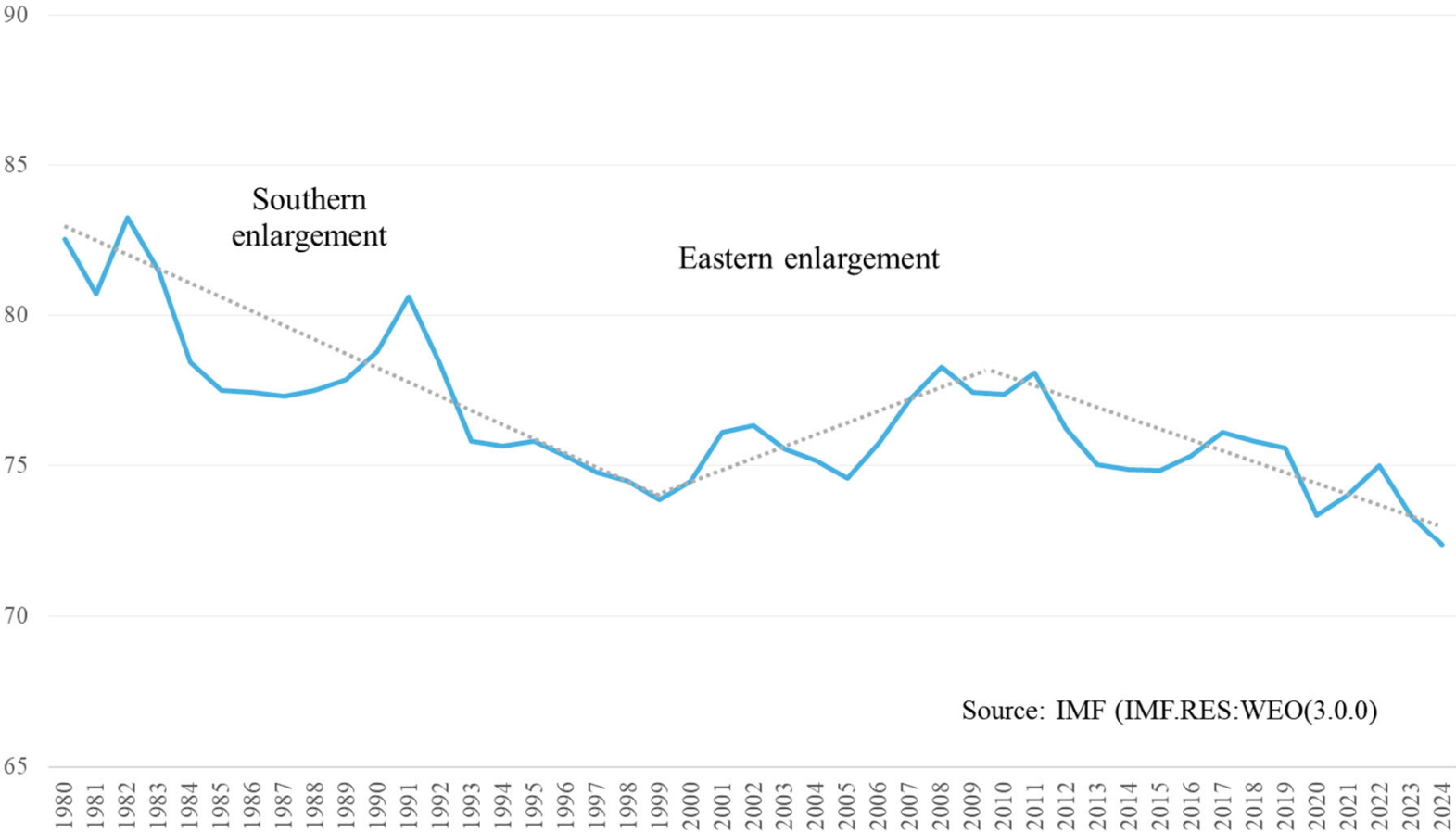
*JVI Webinar on Income Convergence Through EU Integration: The Experience of  
Central and Eastern Europe and TAIEX Multi-Country Workshop on the Functioning  
of the Economic and Monetary Union (EMU)*

JVI, Vienna, December 3, 2024



# The distance of the EU from the frontier of economic development

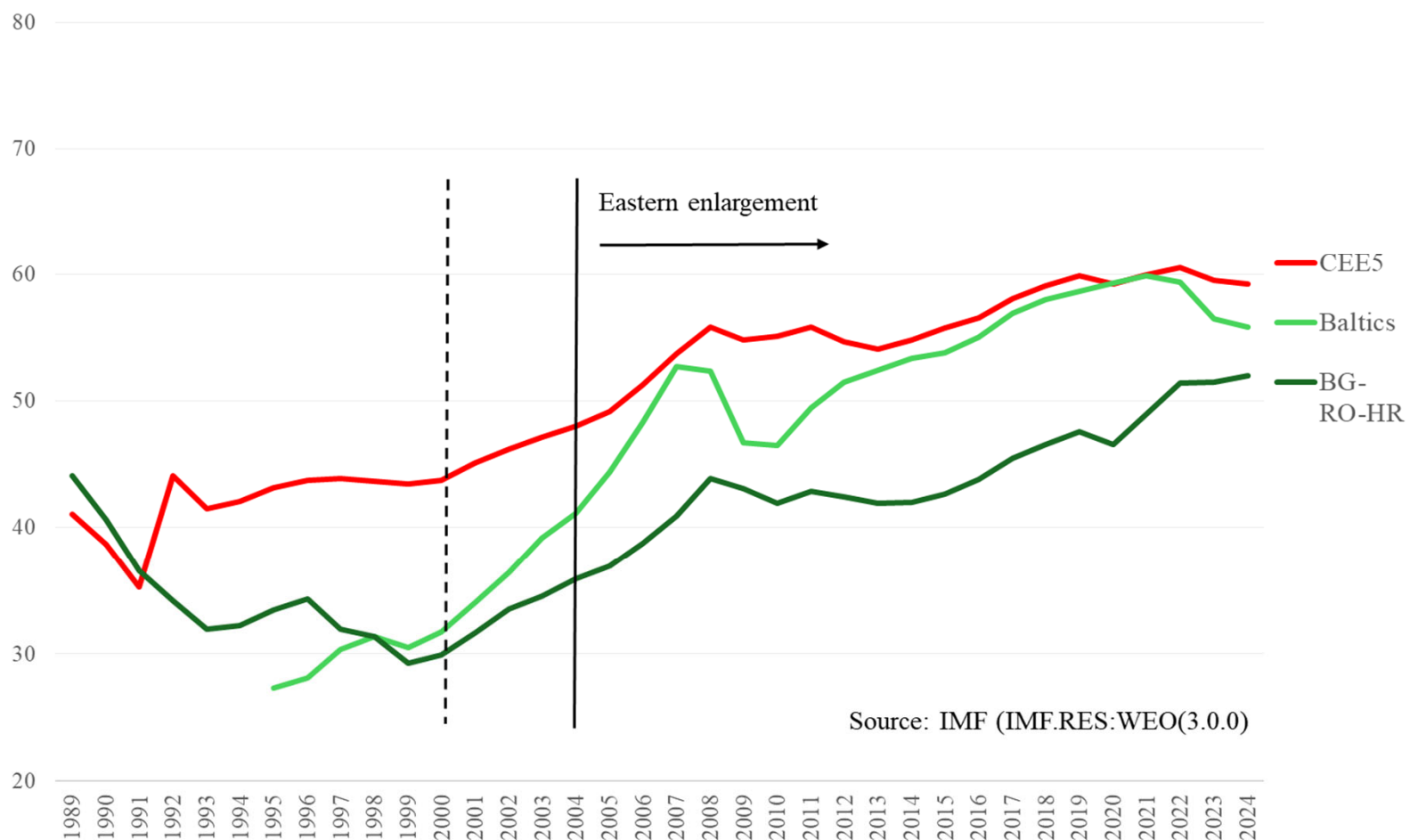
Per capita GDP of the EU relative to the US, in PPP, US=100



Source: IMF (IMF.RES:WEO(3.0.0))

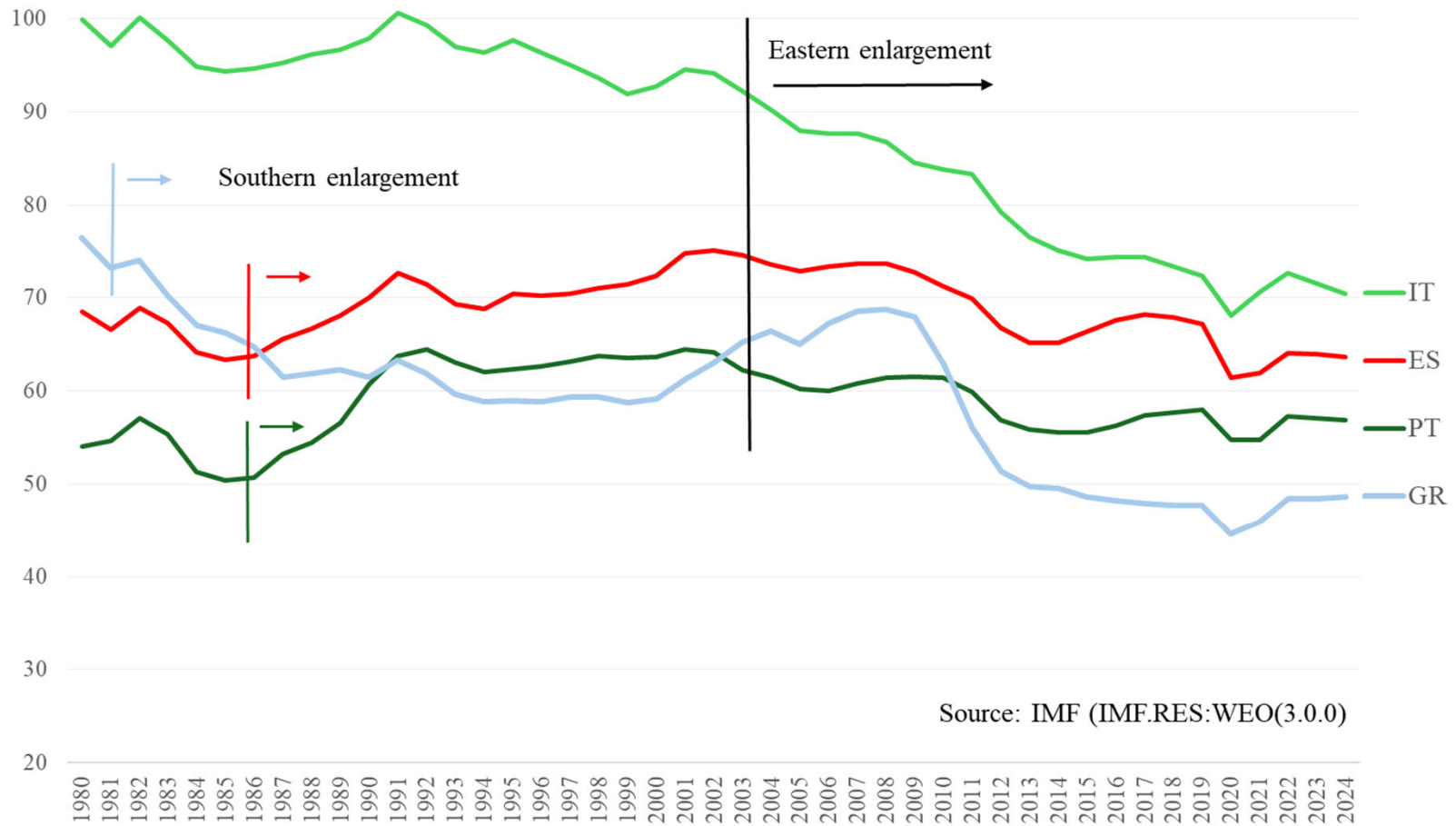
# Major differences among countries and in different periods

Central and Eastern Europe: Per capita GDP in PPP, US=100



# Convergence and divergence coexist in the EU

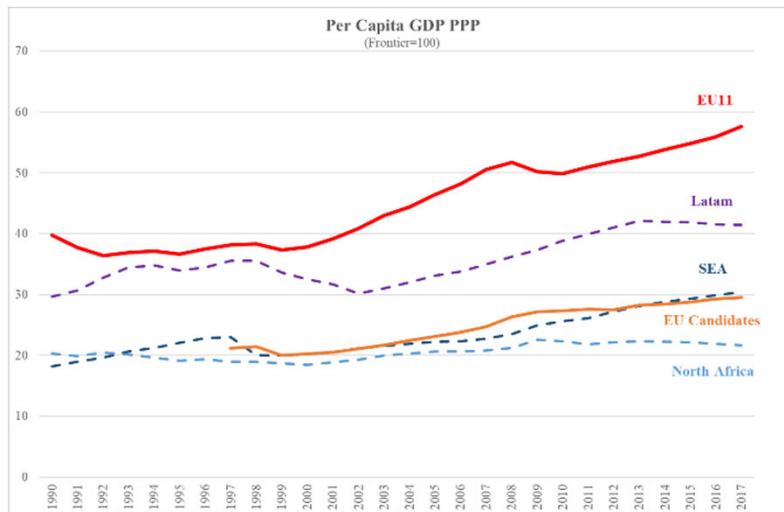
Southern Europe: Per capita GDP in PPP, US=100



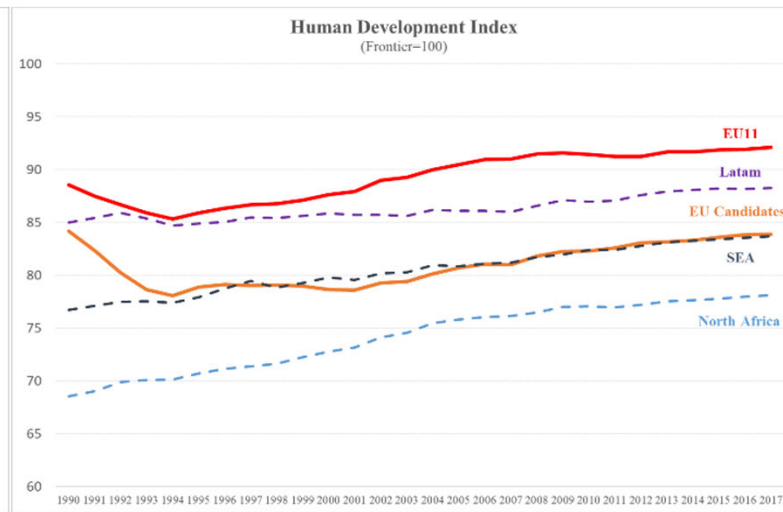
Source: IMF (IMF.RES:WEO(3.0.0))

# Economic and social convergence to the frontier

## GDP



## Human Development



Source: Landesmann, M. – Szekely, I.P. Does EU Membership Facilitate Convergence? The Experience of the EU's Eastern Enlargement, Palgrave=Macmillan, 2021. For per capita GDP World Bank, for Human Development Index, UNDP.

Note: EU Frontier includes Austria, Denmark, Netherlands and Sweden; EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. EU Candidates include Albania, North Macedonia, Montenegro and Serbia; Latam includes Argentina, Chile, Costa Rica, and Uruguay; North Africa includes Algeria, Jordan, Morocco and Tunisia; SEA includes Indonesia, Korea, Malaysia and Philippines. Simple, unweighted averages of country observations.

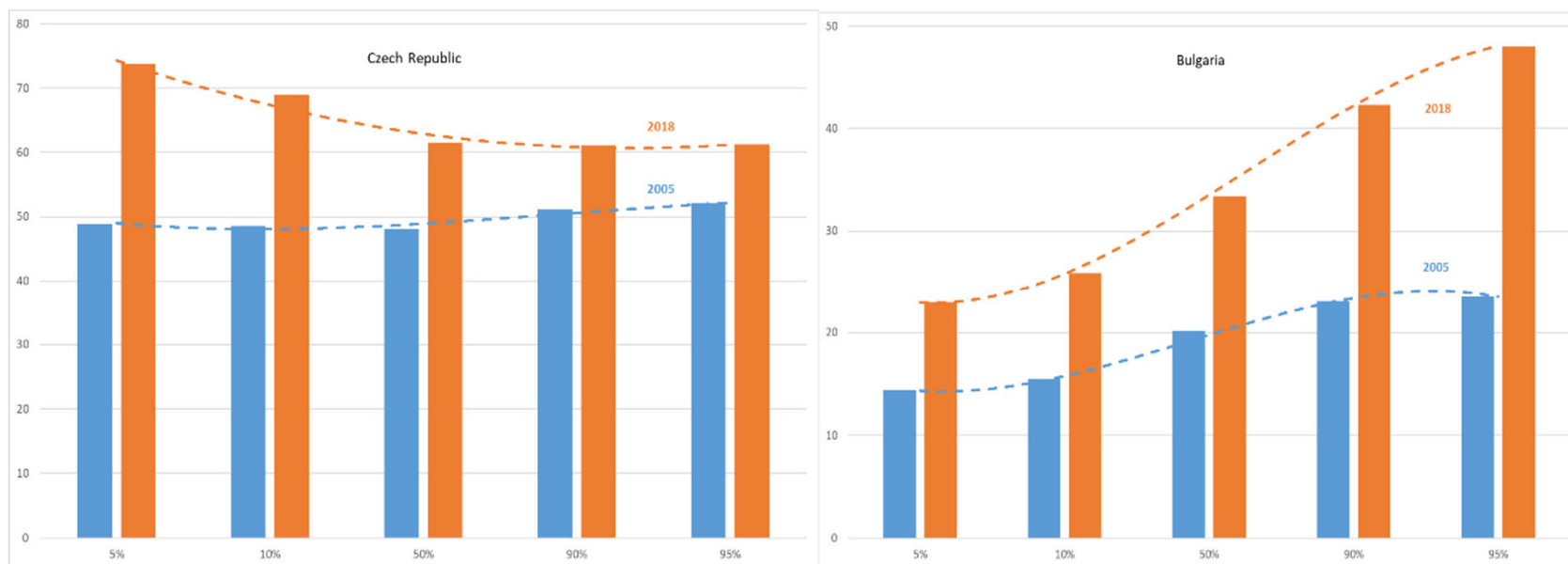
# Turning economic convergence into social convergence



Source: Own calculations based on data from the World Bank, WDI.

# Different journeys in different countries

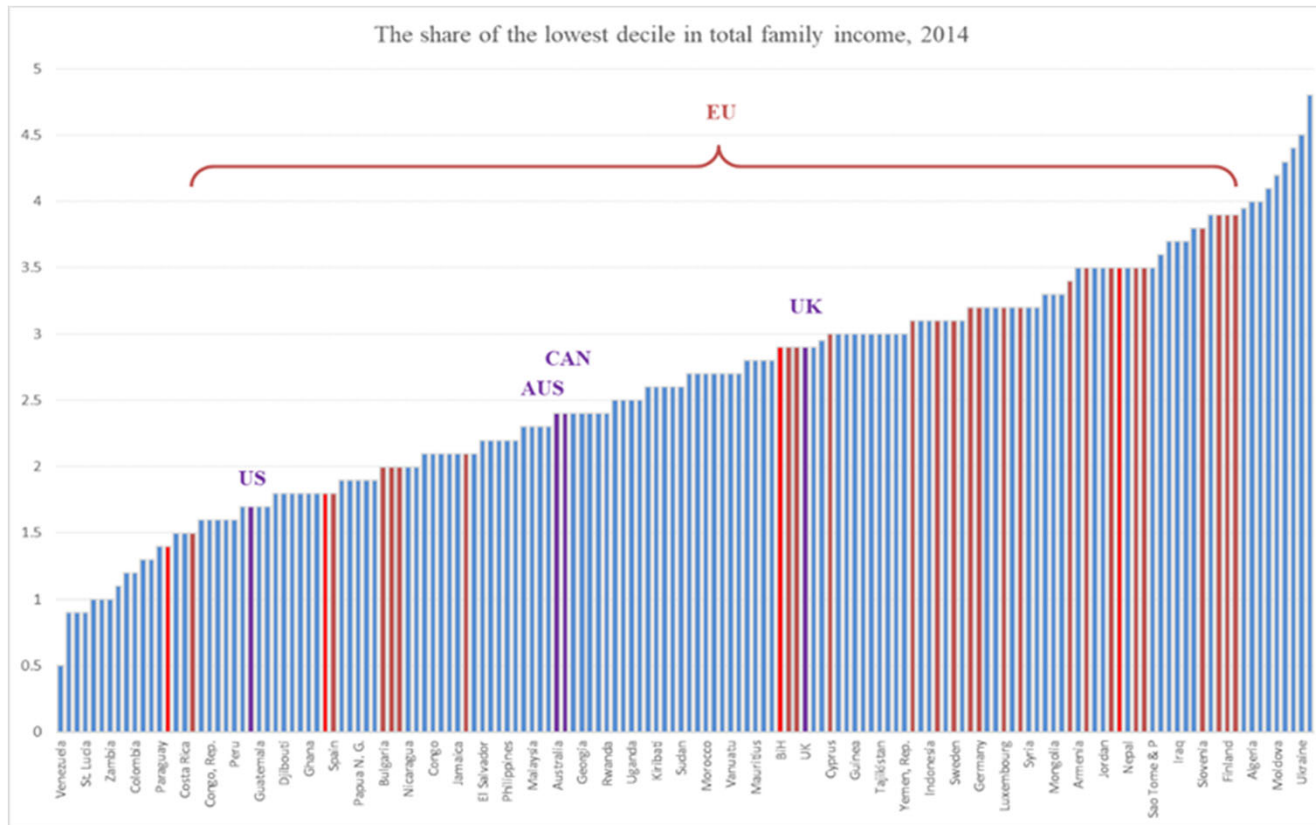
Distance to the EU frontier at different parts of the income distribution in the Czech Republic and Bulgaria in 2005 and 2018



Source: Landesmann, M. – Szekely, I.P. (eds.) Does EU Membership Facilitate Convergence? The Experience of the EU's Eastern Enlargement, Palgrave-Macmillan, 2021. Eurostat.

Note: Disposable family income. EU Frontier includes Austria, Denmark, Netherlands and Sweden.

# Income inequality within countries





# The conceptual framework

**Staying at the frontier:** Pushing out the frontier

**Convergence:** Journey to the **frontier** of economic, social and institutional development

**Preamble**

## Dimensions

- Economic (“means”)
- Social (“ends”)
- Institutional (“ways”)
- Environmental (“life conditions”)

**Preamble**

## Super dimensions

- Fairness
- Sustainability

**Article 11**

**Article 8**

**Article 11**

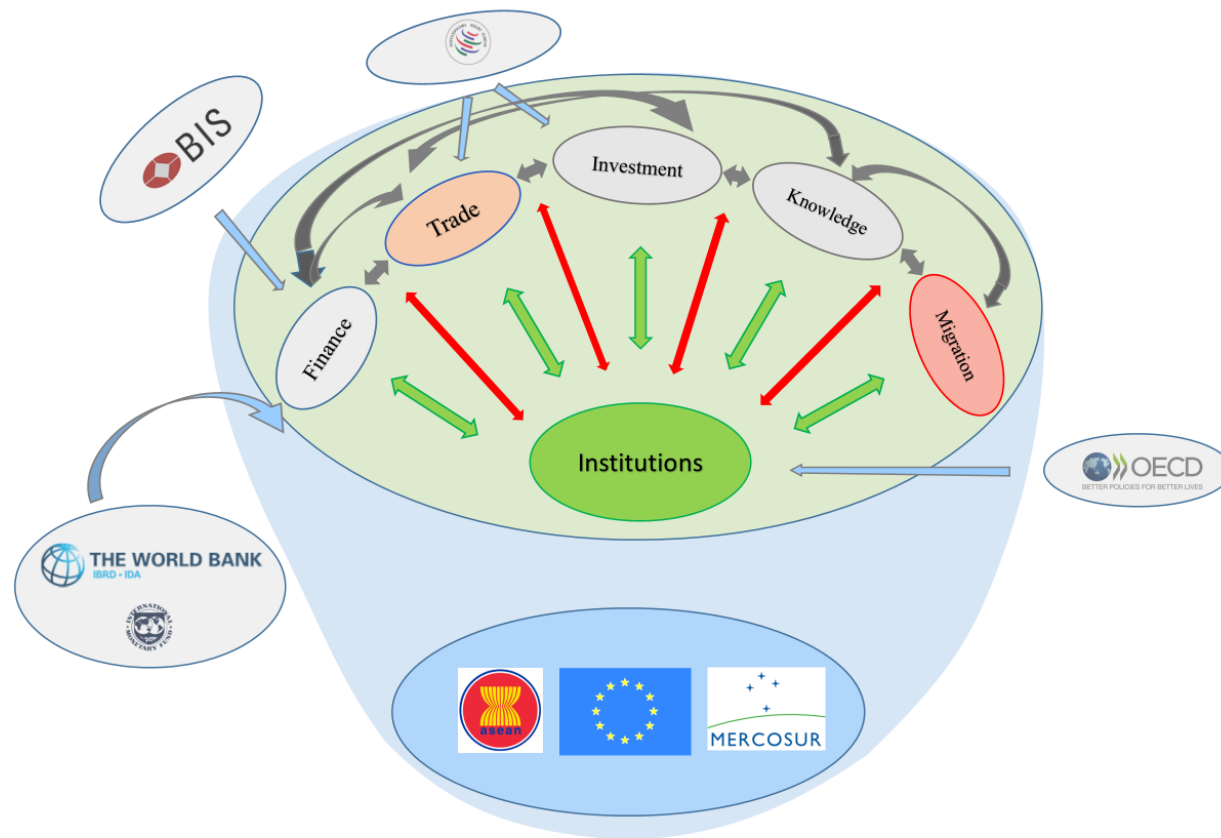
## Channels of interaction

- Trade
- Investment
- Finance
- Migration
- Knowledge
- Institutions



Source: Székely, I.P. *The Impact of the European Union on the Economic, Social, and Institutional Development of its Member States*, Palgrave-MacMillan, 2025 (forthcoming).

# The channels of interaction



Source: Székely, I.P. *The Impact of the European Union on the Economic, Social, and Institutional Development of its Member States*, Palgrave-MacMillan, 2025 (forthcoming).

## Asymmetries: the working of the channels

Trade, Investment, Knowledge

**well**

Finance, Migration

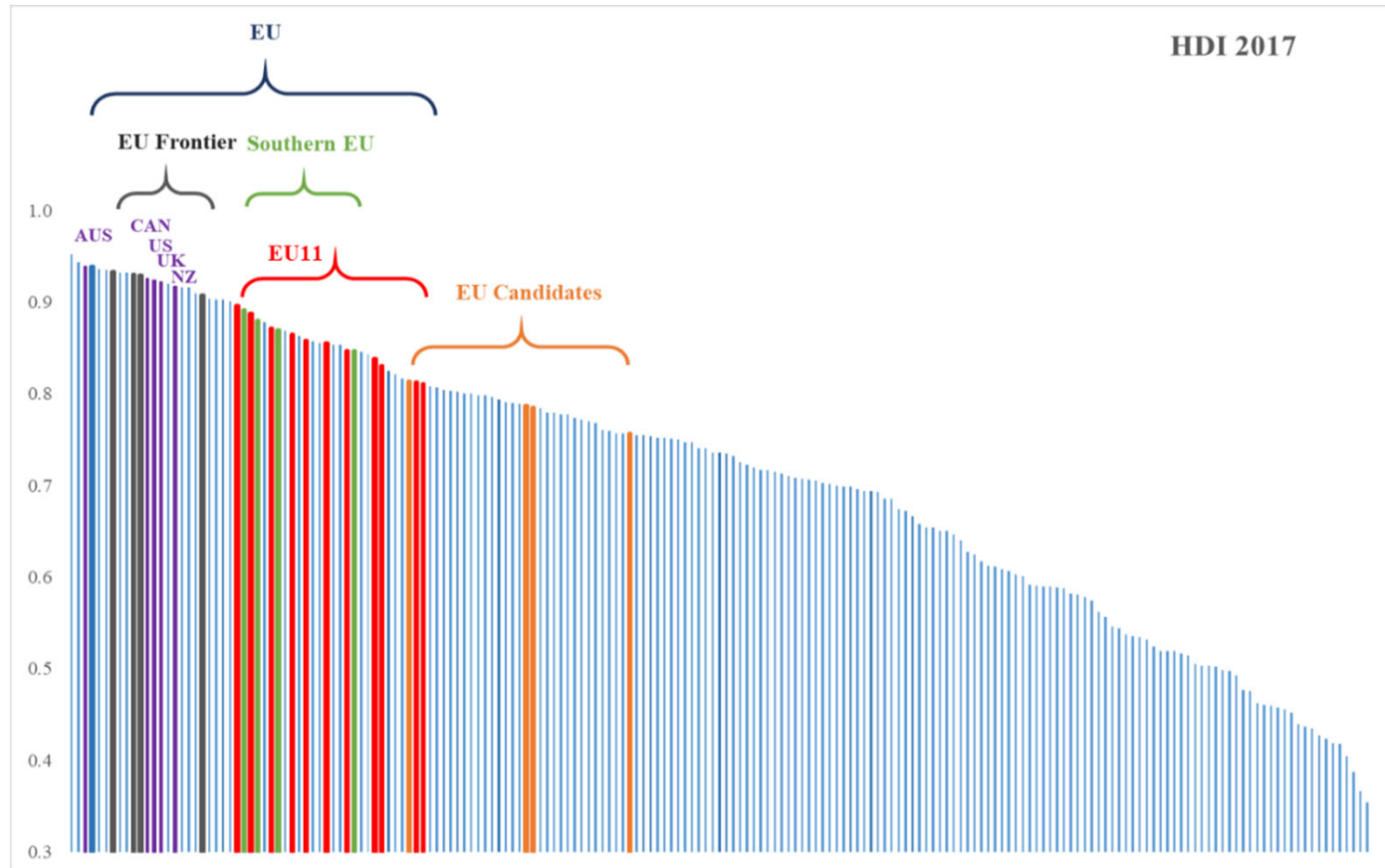
**mixed**

Institutions

**weak** (largely *before* entry)

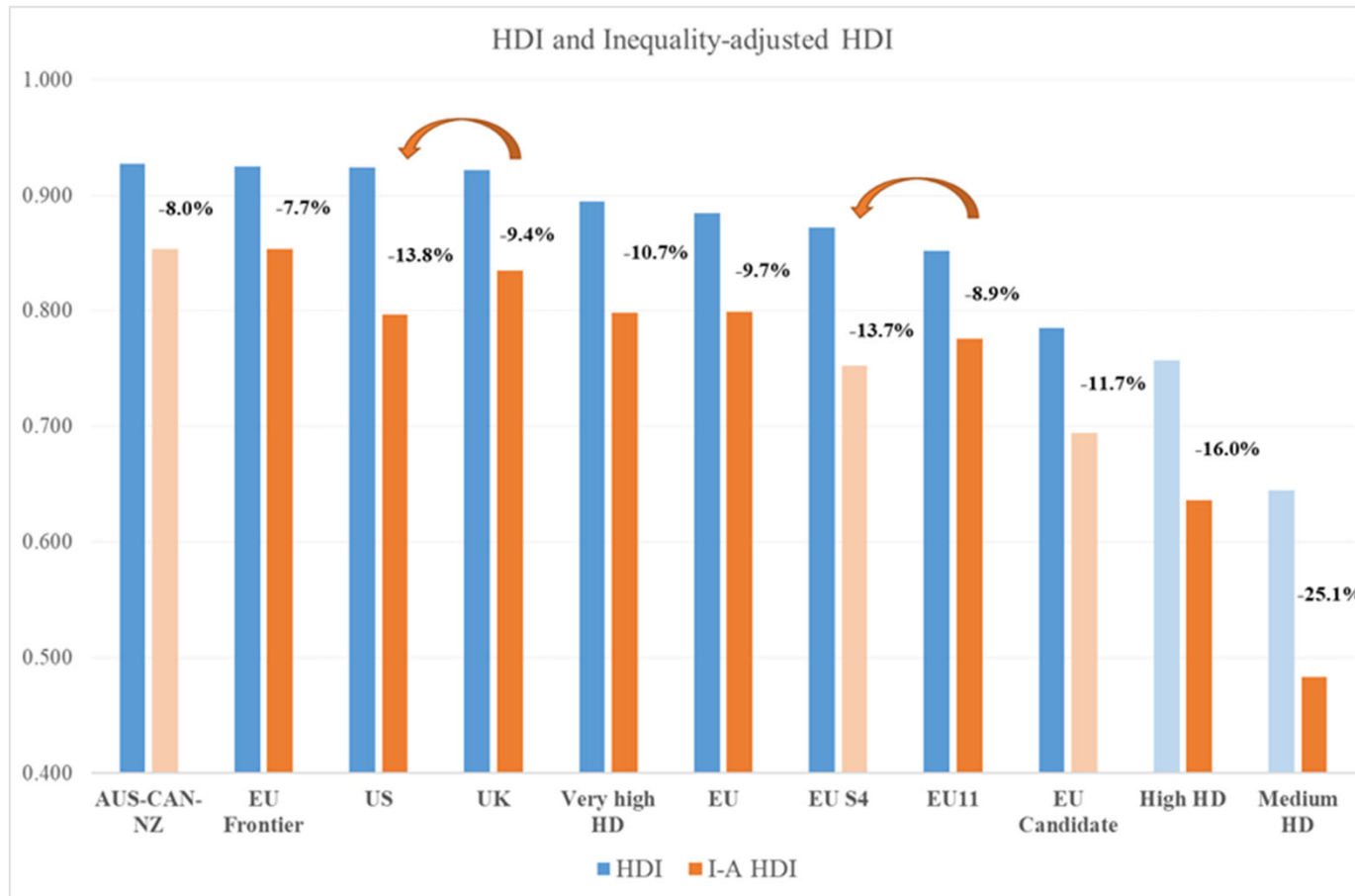
# Social development

Human Development Index, 2017



Source: Székely, I.P. *The Impact of the European Union on the Economic, Social, and Institutional Development of its Member States*, Palgrave-MacMillan, 2025 (forthcoming).

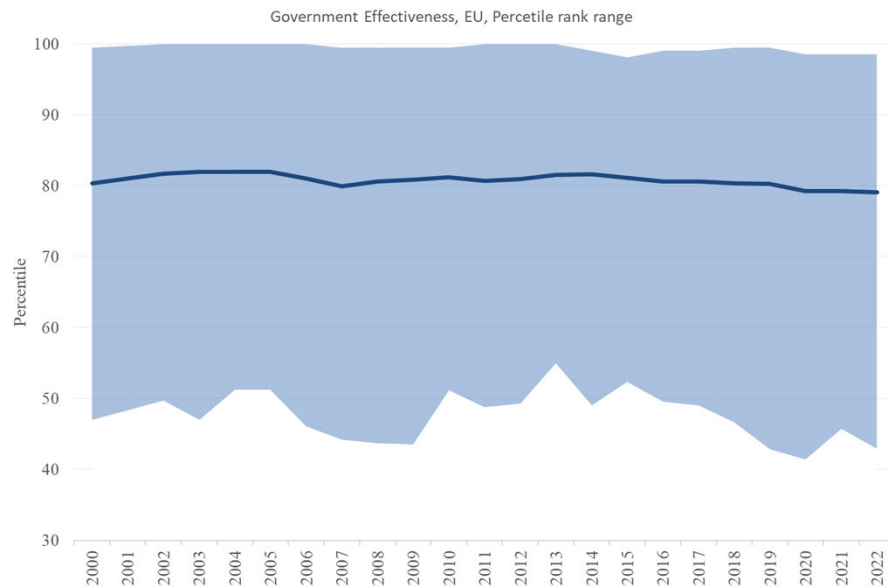
## Social development and fairness



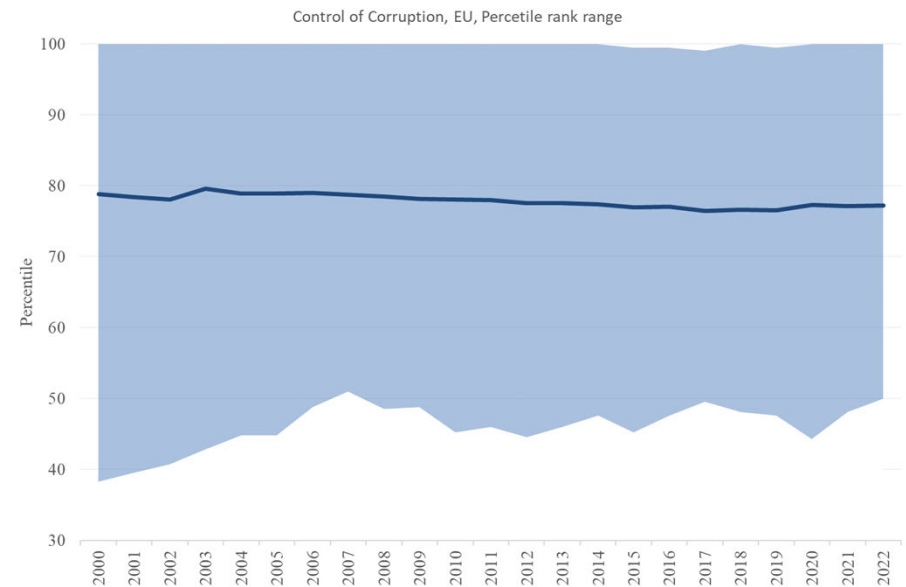
Source: Székely, I.P. *The Impact of the European Union on the Economic, Social, and Institutional Development of its Member States*, Palgrave-MacMillan, 2025 (forthcoming).

# The working of the institutional channel

## Government Effectiveness



## Control of Corruption

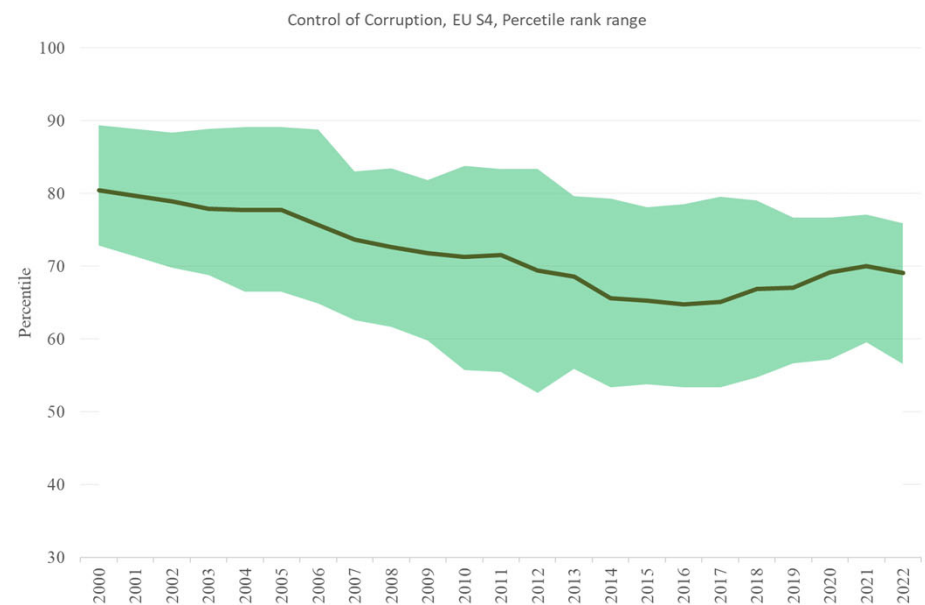
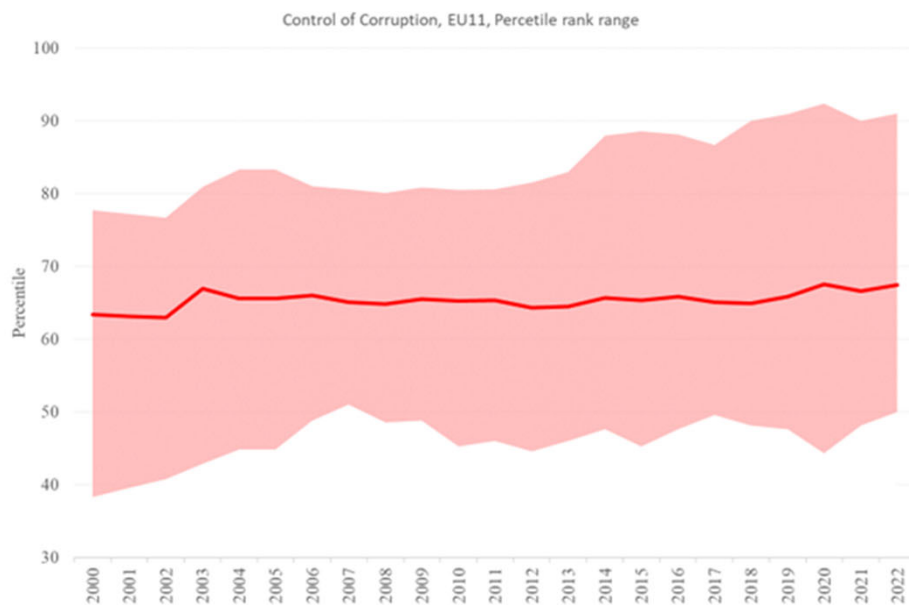


Source: World Bank, World Governance Indicators, accessed on 17 March 2024. <https://www.worldbank.org/en/publication/worldwide-governance-indicators>

Notes: Government Effectiveness reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies/ Control of Corruption reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The shaded areas show the top and bottom percentile rankings of EU countries according to these indicators in the global sample of 114 countries for which the World Bank calculates these indices, The solid line shows the simple arithmetic average of EU countries.

# Quality of institutions in EU11 and Southern European countries

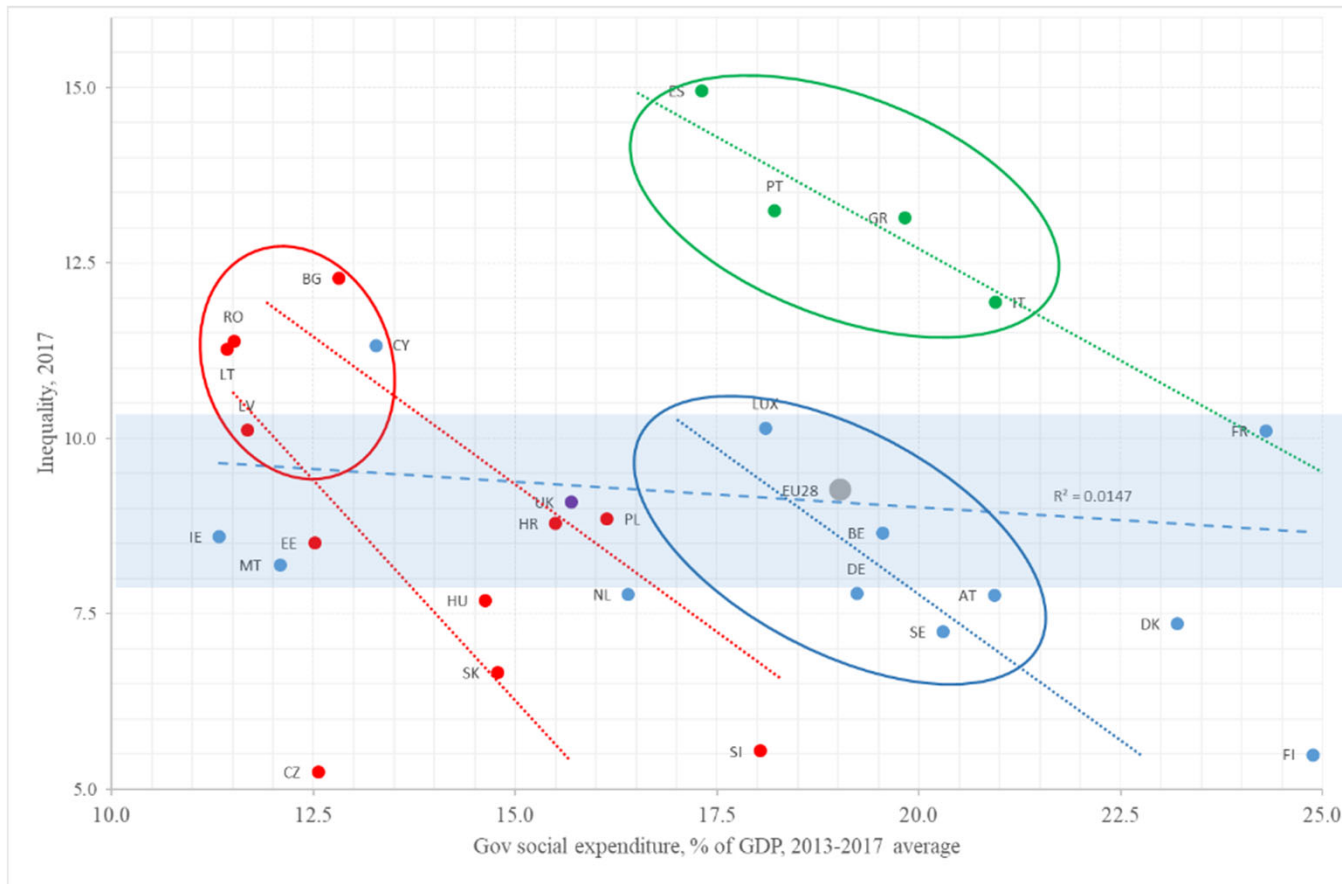
## Control of Corruption



Source: World Bank, World Governance Indicators, accessed on 17 March 2024. <https://www.worldbank.org/en/publication/worldwide-governance-indicators>

Notes: Control of Corruption reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The shaded areas show the top and bottom percentile rankings of EU countries according to these indicators in the global sample of 114 countries for which the World Bank calculates these indices, The solid lines show the simple arithmetic averages for the groups concerned. countries.

## Institutions and fairness: Inequality and social spending in the EU



Sources: Eurostat for social expenditure, UNDP for social inequality.



## Conclusions: the experiences of EU11

- As a group, **fast economic convergence**, but **limited** capacity to turn economic convergence into **social convergence** because of **slow institutional convergence**.
- The different **channels worked differently**
- Some important **variations** among MS, mostly because of weak institutions.
- **Asymmetric integration** can have major negative side effects, even if economic convergence is successful. Negative social and territorial side effects can be large and can weaken public support for EU membership.
- The **adoption of the euro** is likely to be an amplifier. **Makes** the *already well working* **channels work better**, and **shields** MS from markets better. **But**, by itself, it is unlikely to improve the working of the institutional channel significantly.
- **NextGenEU, RRF, and SURE** entail important **institutional and policy innovations** that **can be a game changer**.

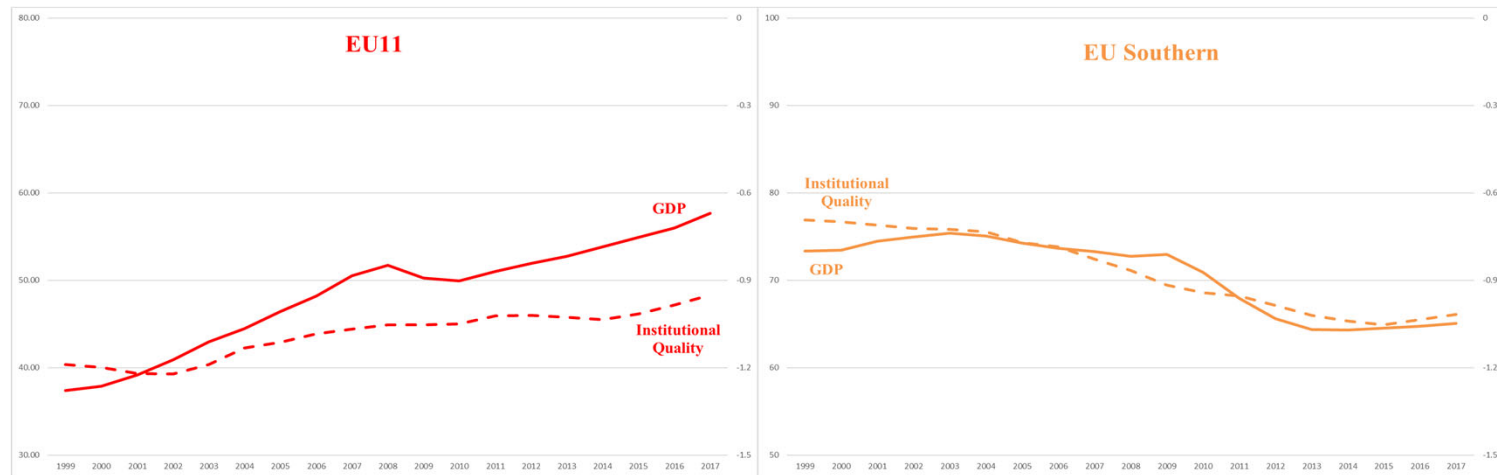
*“Only a fool learns from his own mistakes.”  
(Otto von Bismarck)*

## Lessons for future EU Members

- *We cannot escape history:* Enlargement is back on the political agenda. Nonetheless, the experiences with the eastern enlargement (EU11) is likely to shape views and expectations among existing MS, influencing how the next wave of enlargement is conducted.
- *No pain, no gain:* EU Membership is a historical opportunity to accelerate economic, social, and institutional development (convergence), but it is up to the country to turn this potential into reality. Focus on improving institutions.
- *Too much of a good thing:* The candidate status, by design, opens up the channels of interactions in an asymmetric manner. Supportive national effort is needed to maximize benefits and minimize potential negative side effects during this period.
- *Be prepared:* Use the period before EU membership well. Everything a country needs to do in this regard is good for development, EU accession or not.

**ADDITIONAL SLIDES**

# Institutions



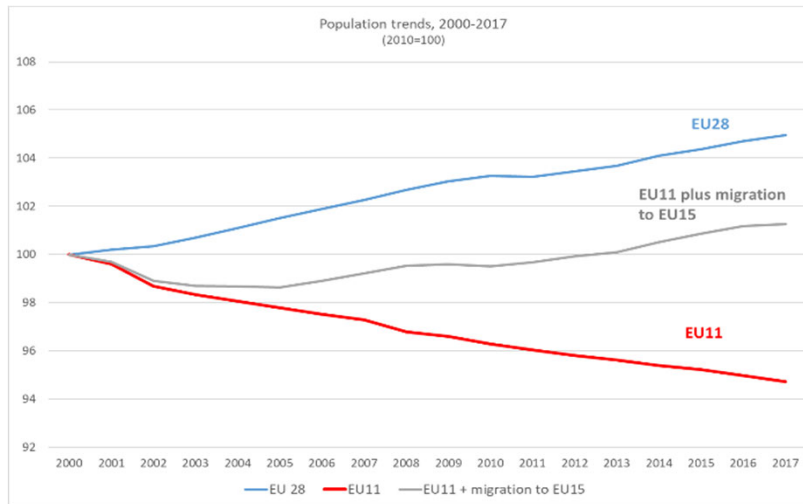
Sources: World Bank, WGI

Note: Institutional quality (right axis) is the distance to the EU Frontier, based on an average of the WGI indices, and it is the average for the three preceding years. Per capita GDP in PPP relative to EU Frontier (left axis).

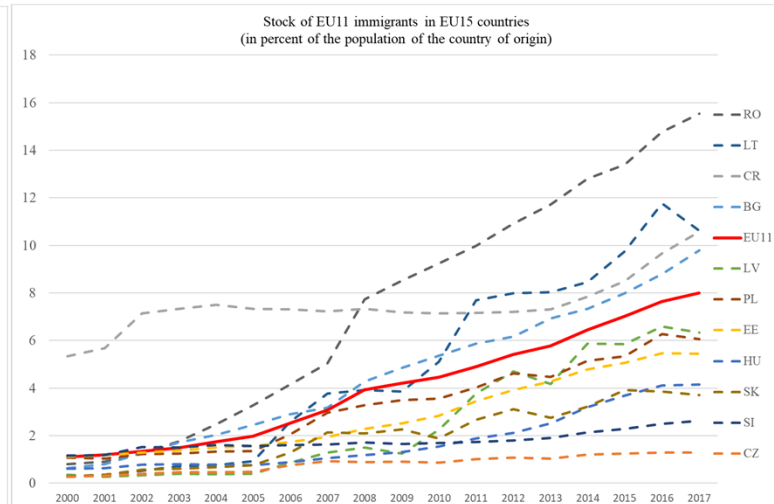
EU Frontier includes Austria, Denmark, Netherlands and Sweden; EU11 includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. EU S4 (Southern) includes Greece, Italy, Portugal and Spain.

# The Migration Channel

## Population trends



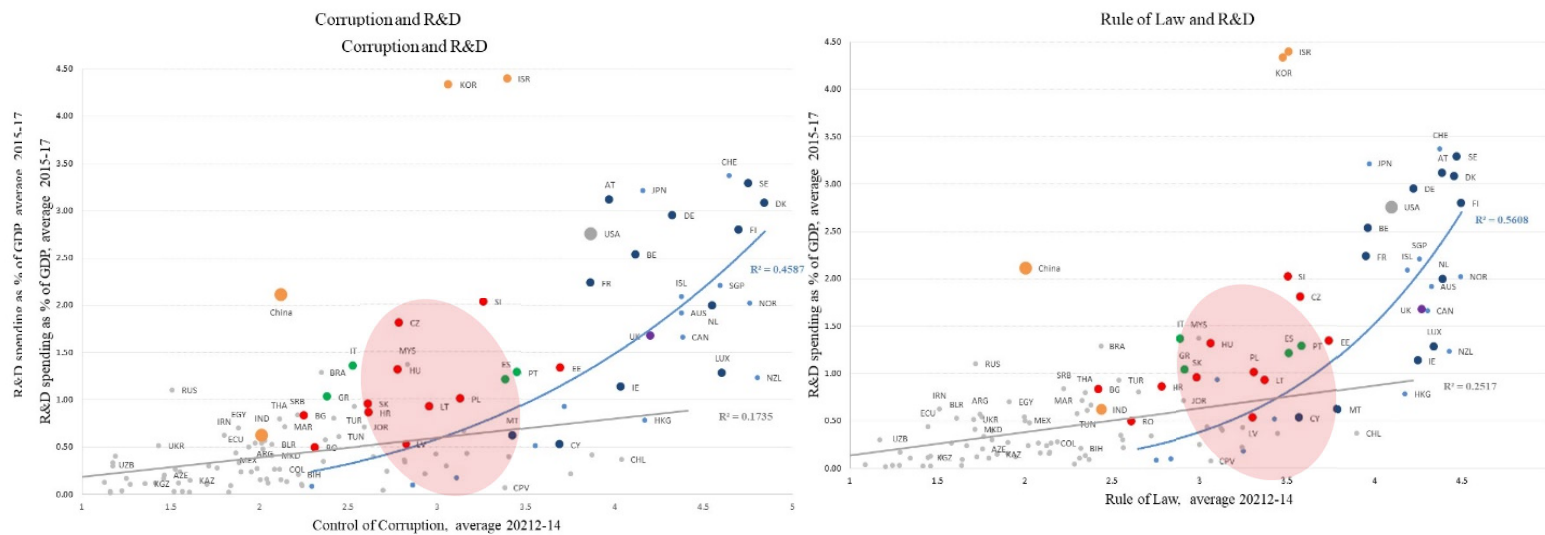
## EU11 citizens living in EU15 countries (% of home country population)



Source: Eurostat

# Institutions and innovation

Impact of corruption control and rule of law on R&D at different development levels



Source: Buti, M. and Székely, I. P., 2021. The European Union post Covid-19: Preserving innovation's cutting edge and fostering social cohesion. *Acta Oeconomica*, 71 (2021) S1, 141–163. The author's own calculations based on data from the World Bank.

Notes: Based on the corresponding WGI sub-indices, both calculated as averages for 2012-14 and increased by 2.5 to make observations non-negative. Trend lines in gray are for the bottom four quintiles of countries by per capita GDP in PPP, averaged for 2015-17, observations in grey. Trend lines in dark blue are for the upper quintile countries, observations in light blue. Observations in dark blue are EU countries. Southern European EU countries are in green, EU11 are in red.