

T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA ARAŞTIRMALARI ENSTİTÜSÜ
AVRUPA BİRLİĞİ İKTİSADI ve İŞLETME ANABİLİM DALI

THE FULFILLMENT OF THE COPENHAGEN ECONOMIC CRITERIA
OF THE EUROPEAN UNION: A COMPERATIVE ANALYSIS BETWEEN
TÜRKİYE AND OTHER CANDIDATE COUNTRIES

YÜKSEK LİSANS TEZİ

BİLGEHAN GÖRGEÇ

İSTANBUL, 2024

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İSTANBUL, 2024

ÖZET

AVRUPA BİRLİĞİ KOPENHAG EKONOMİK KRİTERLERİNİN YERİNE GETİRMESİ: TÜRKİYE VE DİĞER ADAY ÜLKELER ARASINDA BİR DEĞERLENDİRME

İkinci Dünya Savaşı'nda büyük bir tahribata uğrayan Avrupa Devletleri'nin, Schuman Doktrini'ne dayanarak kömür ve çeliği barışın araçları olarak kullanma arzularıyla tohumları atılan Avrupa Birliği, uluslararası bir entegrasyon modelini ifade eder. Avrupa Birliği, ilk olarak 1993 yılında yapılan Kopenhag zirvesinde Orta ve Doğu Avrupa genişlemesi için Kopenhag kriterlerini ortaya koymuş, daha sonra bütün aday ülkelerin tamamlanması için bir gereklilik haline getirmiştir. Siyasi, ekonomik ve topluluk mevzuatının benimsenmesi olmak üzere üç ana gruptan oluşan kriterlerden ekonomik kriterin yerine getirilmesi, Topluluğa tam üyeliğin gerçekleşmesi için önem teşkil etmektedir. Ekonomik kriterin tamamlanması, AB adayı statüsünde bulunan ülkelerin ekonomik performansları doğrultusunda farklılık göstermektedir.

Bu çalışmada, Türkiye'nin Kopenhag ekonomik kriterlerini tamamlamasındaki performansı, AB adayı ülkelerle karşılaştırmalı olarak incelenecektir. Karşılaştırma esnasında, ülkelerin Ortaklık Anlaşması, İstikrar ve Ortaklık Anlaşması imzalaması veya aday statüsü kazanması akabinde ekonomik faaliyetlerinin iyileşmesine katkısı olup olmadığı; ülke raporları, ekonomik göstergeler ve siyasi konjonktür ışığında 2013-2022 dönem aralığı için analiz edilecektir. Tezin birinci hipotezi, Avrupa Birliği uyum sürecinin etkisiyle aday ülkelerin ekonomilerinin pozitif yönde ilerleme kaydetmesidir. Tezin ikinci hipotezi Türkiye'nin Avrupa Birliği'nin Kopenhag ekonomik kriterlerini tamamlamakta diğer aday ülkelere göre daha iyi bir konumda olduğudur. Hipotezlerin değerlendirilmesi, belirlenen göstergeler üzerinden karşılaştırmalı grafikler kullanılarak yapılacak; bunun yanı sıra, Kruskal-Wallis H testi ve Mann-Whitney U testlerinin uygulanması ve korelasyon analizi de değerlendirme metodolojisine dahil edilecektir.

Keywords: Avrupa Birliği, Kopenhag Ekonomik Kriterleri, Ekonomik Entegrasyon, AB Aday Ülkeleri

ABSTRACT

THE FULFILLMENT OF THE COPENHAGEN ECONOMIC CRITERIA OF THE EUROPEAN UNION: A COMPARATIVE ANALYSIS BETWEEN TÜRKİYE AND OTHER CANDIDATE COUNTRIES

The European Union is a supranational organization, which was first established as the European Coal and Steel Community (ECSC) on grounds of the Schuman Doctrine with the efforts of the European countries who were badly destroyed during the Second World War and wanted to use coal and steel as tools to provide peace. The European Union firstly introduced the Copenhagen criteria for Central and East European Countries in the Copenhagen Summit in 1993, and then extended the criteria to all applicant countries as a requirement for full membership. There are three groups of criteria as political, economic, and legislative (acceptance and implementation of all EU *acquis*), and the fulfilment of economic criteria has an important role in the way of full membership to the Union.

In this study, Türkiye's performance in fulfilling the Copenhagen economic criteria is examined in comparison with other EU candidate countries. During the comparison, which will be conducted for the years 2013-2022, whether there is a contribution of countries to the improvement of their economic activities after signing an Association Agreement, Stabilization and Association Agreement, or gaining candidate status will be analyzed in the light of country reports, economic indicators, and the political conjuncture. The first hypothesis of the thesis posits that the economies of the European Union candidate countries have experienced a positive momentum due to the process of harmonization with the European Union. The second hypothesis of the thesis suggests that Türkiye is in a better position to fulfill the European Union's Copenhagen economic criteria plays an important role in the path to full membership to the Union. The evaluation of hypotheses is conducted using comparative graphs based on selected indicators; in addition, the Kruskal-Wallis H test and the Mann-Whitney U test are applied, and correlation analysis is also integrated into the assessment methodology.

Keywords: European Union, Copenhagen Economic Criteria, Economic Integration, EU Candidate Countries,

ÖNSÖZ

Hayatımın her alanında, tüm fedakarlıklarıyla yanımda olan canım annem ve babama,
Destek ve anlayışı için kıymetli nişanlıma,
Tez yazım sürecimde desteğini eksik etmeyen Müdürüm Muharrem Bey'e,
Lisans, yüksek lisans ve tez yazım sürecimde yoluma ışık tuttuğu için değerli Mesut Hocama,
en içten teşekkürlerimi borç bilirim...

Bilgehan GÖRGEÇ

İstanbul, 2024

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AA:	Association Agreement
AQR:	Asset Quality Review
CBCG:	Central Bank of Montenegro
CBRT:	Central Bank of the Republic of Türkiye
CEE:	Central and Eastern Europe
DCFTA:	Deep and Comprehensive Free Trade Area
ECB:	European Central Bank
ECSC:	European Coal and Steel Community
EEC:	European Economic Community
EFTA:	European Free Trade Association
EU:	European Union
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
GNI:	Gross National Income
GVA:	Gross Value Added
ILO:	International Labour Organization
IMF:	International Monetary Fund
IPA:	Instrument for Pre-accession Assistance
IPARD:	Instrument for Pre-accession Assistance for Rural Development
KOSGEB:	The SME Development Organization of Türkiye
NATO:	North Atlantic Treaty Organization
NBA:	National Bank of Albania
NBRNM:	National Bank of Republic of North Macedonia
NBU:	National Bank of Ukraine
NPISH:	Non-Profit Institutions Serving Households
OECD:	Organization for Economic Cooperation and Development
OBL:	Organic Budget Law
PPP:	Purchasing Power Parity
R&D:	Research and Development
SAA:	Stabilization and Association Agreement
SME:	Small and Medium-Sized Enterprise
SOE:	State-Owned Enterprise

SPSEE: Stability Pact for Southeastern Europe

TEBD: Türkiye-EU Business Dialogue

UK: United Kingdom

US\$: United States Dollar

USSR: Union of Soviet Socialist Republics

WW1: World War I

WW2: World War II

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INTRODUCTION

The European Union (EU) which both political and economic integration model has lived six waves of enlargement since its establishment and now consists of 27 Member States. As membership applications increased in conjunction with the EU's power in the world, it was not easy for the EU to control these enlargement waves and it paved the way for generating new enlargement strategies. The enlargement process has started with the statement that any European state can join the Community, and now continuing with a well-defined group of criteria known as Copenhagen (accession) criteria. At the European Council meeting held on 21-22 June 1993, the European Council stated that the enlargement of the European Union would include the Central and East European Countries, also specified the criteria that candidates must satisfy to become a member. These criteria are political, economic and the incorporation of the EU acquis. In order to meet the political criteria, the country must possess steady institutions that ensure democracy, the adherence to legal principles, the protection of human rights, and the respectful treatment and safeguarding of minority groups. Additionally, meeting the political criteria is a prerequisite for opening accession negotiations. The Copenhagen economic criteria involve having a well-operating market economy, the ability to withstand competition and market dynamics within the European Union. Third criteria comprise the institutional and administrative capability to fully embrace and enforce the European Union's body of laws and regulations (EU Acquis Communautaire).

This thesis aims to critically assess Türkiye's capacity to comply with the Copenhagen economic criteria in comparison with other candidate countries, as evaluated in the light of country reports prepared by the European Commission. The first research question explores Türkiye's position in fulfilling these criteria and its significance in the journey towards full membership to the Union. The second research question investigates whether the economies of the candidate countries have gained positive momentum as a result of the transformations undertaken during the harmonization process with the EU. In determining the date range, an optimum range of 10 years was used, neither too short nor too long, to be able to look past from the most recent data in a broad perspective and at the same time to prevent changes from being lost in long time intervals. By addressing research questions, the thesis seeks to provide a

comprehensive understanding of the economic background of the candidate countries for EU membership, with particular focus on Türkiye's prospects. While making this evaluation, dynamics of the Türkiye-EU relations will be taken into consideration which have been changing from 1959 to now. Based on the idea that economic reforms should be supported by political reforms, the subject will be handled through an interdisciplinary approach. Between 1999 and 2004, Türkiye lived a democratization process and radical political reforms were made in order to be able to fulfill the political criteria. As a response to those sweeping reforms, in 2004 the European Council decided to open the accession negotiations on 3rd of October 2005. This democratization process represents one of the main factors to strengthen Turkish economy and to set to stage for complying with the Copenhagen economic criteria.

Türkiye's decision to transit its economy into a liberal economy in the middle of 1980s and democratization process lived in 2002-2004, opens the door to comply with the Copenhagen economic criteria. In 1980, Türkiye made a decision to transit its economy into an open market economy with respect to the emerging liberalization concepts in the world. Türkiye took many initiatives to create institutional and legislative infrastructure of the liberal economic policies. In the middle of 1980s, many attempts were made to reduce the state involvement in the economic activities and to transit into a liberal economy as many European countries. With a series of decisions taken on January 24, 1980, the Turkish economy was liberalized. This period was a turning point for the open economy in Türkiye. The negative effects of the economic problems experienced in 1978-1979 wanted to be prevented in 1980 as well. With the decisions of January 24, the aim was to liberalize the economy for a long term and to reduce the state intervention in the markets. In the light of these decisions and liberalization process, in the Türkiye Progress Report 1998, which represents the first progress report that involves the evaluation regarding the Copenhagen criteria, Türkiye was evaluated as a market economy with a developed institutional and legislative framework.

The Balkan countries, which is the country group that constitute a large part of the candidate countries have lived many bloody wars in their region throughout the history. These devastating wars have created political and economic backwardness effects on the Balkan countries. The Balkan countries, which act as a bridge between east and west and are located vital trade routes to Europe, have a strategic importance for the EU. When categorizing the Western Balkans Region, it typically encompasses of Albania, Bosnia-Herzegovina, Serbia,

Montenegro, Kosovo, Croatia, and North Macedonia. When it comes to the membership developments in this region, Croatia has become a member of the EU in 2013. Kosovo is the potential candidate country of the EU.

Due to the Russian Federation's invasion of Ukraine on February 24, 2022, the EU's enlargement policy gained a new point of view. Correspondingly, negotiations with Moldova and Ukraine have gained momentum. For the security of the European continent, European leaders have turned their face to the long-term peace. The European Union has given the best response through its enlargement tool to Russia's aggressive attitude of which prevents long-term peace in the region, and granted candidate status to Ukraine and Moldova on 23 June 2022. Today, Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, and Ukraine are the candidate countries of the EU.

The Balkan countries also turned towards Europe to alleviate the effects of destructive wars that had plagued the region throughout history. In pursuit of full membership, they implemented various political and economic reforms. The Thessaloniki Summit, which was held in Thessaloniki, 21 June 2003 represents a turning point for the Western Balkans. The statement that "The future of the Balkans is within the European Union" constitutes a signification for the region. Moreover, it was stated that the new concessions would be granted to the region. The second research question investigates whether the economies of the EU candidate countries have gained positive momentum as a result of the transformations undertaken the harmonization process with the EU.

When considering Albania, despite the economic and political reforms and privatization movements in the 1990s, it could not really develop a properly functioning financial system (Teqja & Zotaj, 2014). While some subjects such as corruption and bribery have continued to remain as one of the biggest risks to the economic development, corruption have been seen as a serious problem in Albania 2020 report. The other Western Balkan country, Montenegro, declared independence from Serbia in 2006, experienced privatization movements, and started using the euro as its currency since 2002. These developments have helped to Montenegro to increase its trade capacity with the EU. However, there are some serious concerns regarding lower investment growth, corruption, and economic and monetary policy, which directly effects country's performance to comply with the Copenhagen economic criteria of the EU. By

deciding to change its name regarding to solve the naming dispute with Greece, the Republic of North Macedonia has clearly demonstrated its willingness to compromise on its path to EU membership. North Macedonia, which has been dealing with internal political crises for the last few years, has seen its political problems reflected in its economic indicators. However, it finally experienced a recovery after 2018. When it comes to Serbia, it holds importance for ensuring permanent peace in the Western Balkans. The disagreement between Serbia and Kosovo over Kosovo's independence and war crimes presents a significant obstacle for Serbia on the path to full membership. The European Commission announced on October 10, 2012, that it is proposed to start accession negotiations with Serbia as soon as normalization of relations with Kosovo is achieved (Akçay, 2016). Accordingly, mutual steps had taken and the European Council Summit on June 27-28, 2013, the European Council decided to launch accession negotiations with Serbia. After the economic crisis in 2008, Serbian economy was affected heavily and started to live a recovery momentum owing to the financial aids of the EU. Today, war crimes and fight against corruption issues create main problems and directly affect its economy.

Drawing on the brief historical backgrounds and recent developments in the EU candidate countries, it is evident that while strides have been made towards meeting the Copenhagen economic criteria of the EU, significant challenges remain. The subsequent chapters will undertake a comparative analysis, leveraging quantitative data, charts, and graphs to dissect the nuances of each country's process and the hurdles they face in their paths towards EU accession.

1. EVOLUTION OF THE MEMBERSHIP CRITERIA

1.1. Association and Membership Procedure

The European Union, initially formed as the European Coal and Steel Community (ECSC) in Paris 1951 under the principles of the Schuman Doctrine, originated from the collaborative efforts of European nations severely affected by the aftermath of World War II. These countries sought to promote peace by utilizing coal and steel as instruments of cooperation.

The European Union is a supranational organization, which was first established as the ECSC in 1951 based on the Schuman Doctrine with the efforts of the European countries that were severely damaged after the Second World War (WW2) and wanted to use coal and steel as tools to provide peace. The European Union is the most significant organization in European economic history as well as in European political history (Eren, 2021). The EU, which has undergone six waves of enlargement and offers common market, has faced challenges in deciding on the acceptance of the candidate countries and ensuring that they will act in harmony with the existing members in political and economic terms. The increase in membership applications, along with the EU's growing influence in the world, has led the EU to develop new enlargement strategies.

From its establishment onwards, the EU has clearly determined set of criteria to regulate membership applications, which were first stated in the Treaty of Paris and the Treaty of Rome. The Treaty of Rome regulated the application procedure for membership. Article 237 of the Rome Treaty states that any European State may become a member of the European Union, and Article 238 of the Rome Treaty is about accession relations. Based on the structure of the Articles, during the formative years of the European Economic Community (EEC), there was only one condition to apply the Community: being European. In 1962, the Political Committee of the European Parliament prepared a report known as Birkel Bah Report. In this report, it was said that non-democratic states are not eligible for membership and further democratic principles and norms included in the report. In the 1978 Copenhagen Summit, the EU reiterated to those political principles and norms, yet there was still no mention of economic conditions as prerequisites for applying to the Union.

In the ensuing years, significant developments occurred in the international conjuncture. During the first half of the 1990s, in response to the end of the Cold War, the fall of Berlin Wall, and the transition of Central and East European countries' regimes from socialism to democracy, democratic principles and norms gained importance. In reaction to the events unfolding in the global context, the European Union began to make efforts to establish a treaty base political values and norms.

Setting aside the evolution of the political criteria, the economic conjuncture of the candidate country is equally important for the EU membership. However, unlike the political conditions, there was no reference to the economic dynamics in the treaties until the Copenhagen Summit. On the other hand, when examining some application cases, it becomes evident that economic indicators are also given importance.

When examining the enlargement of waves of the EU from the perspective of membership criteria, it can be said that each wave has a distinct structure. During the processes of the United Kingdom's accession to the EEC, France declared that the United Kingdom was not ready to join to the Community due to the economic situation and offered to close relations with the United Kingdom. This situation arose again in the British application in 1967. After this specific example, a candidate's acceptance into the Union became dependent on the candidate's economic recovery. The theme of the first wave of enlargement, in which the United Kingdom, Denmark and Ireland joined the Union, is called as the 'consensus on supranational integration' (Özdemir, 2015).

In the second and third enlargement waves, Greece (1981), Portugal and Spain joined the Union in 1986. The economic situation of Greece, Portugal, and Spain during the accession process was problematic and source of concern at that time. Even the Commission offered to give a pre-accession assistance program to those countries. On the other hand, when the European Free Trade Association (EFTA) countries (Austria, Finland, Norway, and Sweden) applied for membership, the economic procedure for full membership was clearer. In this example, the European Commission underlined that the applicant country should have functioning and competitive market economy (Hillion, 2004). In 1995 enlargement wave, Austria, Finland, Sweden became a member of the EU in 1995. This enlargement wave is directly related with the developments lived throughout the Cold War. Those countries have followed neutrality policy during the Cold War period, agreed to join the Union after the war ended (Republic of Türkiye Ministry of Foreign Affairs, 2022). The EU has lived its fifth

enlargement process in 2004. In this enlargement process, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Malta and Cyprus joined the EU. In 2007, Bulgaria and Romania became members of the EU. The fifth enlargement of the EU has been challenging for the EU in terms of quality and quantity of the countries (Republic of Türkiye Ministry of Foreign Affairs, 2022). In the sixth enlargement wave, Croatia, which closed all chapters after Slovenia lifted its blockade on various chapters, became a member in 2013 and the EU became a 28-member Union. Today, the EU is a 27-member Union, with a move of withdrawal of the United Kingdom exited the EU on January 31 2020.

21-22 June 1993 Copenhagen Summit represents a milestone where economic criteria came to the scene for the first time. In 1993, the European Council convened in Copenhagen resolved that Central and Eastern European countries could be eligible for membership provided they fulfilled the requisite economic and political criteria for accession (Eren, 2021). The Copenhagen criteria were listed to regulate the membership processes of the candidate countries. Firstly, those criteria were only for Central and East European Countries. After that, they were extended to all applicant countries to become a full member of the EU.

The EU draw a path to show Member States that they would face with in the accession process. Here, those criteria are listed in a very brief way. In the following pages, criteria will be detailed. There are three groups of accession (Copenhagen) criteria as political, economic, and legislative (legal) criteria.

a. Political Criteria

The political criteria refer to the achievement of stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

b. Economic Criteria

The economic criteria include existence of functioning market economy and the capacity to cope with competition and market forces.

c. Legislative (Legal, Acquis) Criteria

The ability to take, accept, and implement all of the EU acquis.

When the European Union brought the economic criteria as a condition for full membership in 1993 Copenhagen Summit, and after the establishment of the Economic and Monetary Union in the Maastricht Treaty, the evaluation of the economies of the candidate countries have gained

greater importance. If both structure of the criteria and the political and economic conditions in the countries of Central and Eastern Europe (CEE) are considered, those criteria are the most challenging chapters of the CEE countries. At that time, during the post-Cold War era, the primary concern of the EU was to provide political and social transformation and integration by giving the CEE countries a membership perspective. When the Presidency Conclusions of the Brussel Summit of 2004 is examined, it is stated that the 2004 enlargement will expand and strengthen the Single Market. In the context of global security, it is stated that it will eliminate possible threats. It was also stated that the 2004 enlargement would contribute to peace, stability, security, legal governance, and growth in the EU, and those issues represent a direct reference to the motives of the Copenhagen criteria.

The EU showed a way guided to those countries regarding what to do to become a member. Then, these criteria were extended to all applicant countries aiming for EU accession. Accordingly, it can be said that the Copenhagen economic criteria of the EU firstly introduced for the Central and East European countries of the EU and subsequently it was prolonged to whole applicant countries of the EU.

1.2. Structure of the Copenhagen Economic Criteria

1.2.1. A Functioning Market Economy

When the existence of a functioning market economy, which is the first title constituting the Copenhagen economic criteria, is considered:

- Macroeconomic Stability
- Interaction of Market Forces
- Market Entry/Exit
- Legal System
- Development of the Financial Sector

aspects should be evaluated.

When the macroeconomic stability is examined, sustainable growth, low inflation, stable employment growth, low unemployment, and a balanced public finance are considered among

the basic elements. In this thesis, the presence of a robust and operational market economy is analyzed in comparison with the relevant indicators of the candidate countries.

The interplay of market forces means that the supply-demand balancing is established by the independent and mutual interaction of market forces. Another factor affecting the interaction of market forces is privatization movements. Privatization and supply-demand balancing will be examined in this thesis through the number of newly established firms and closed businesses.

Looking at the legal system and the development of the financial sector; it is of great importance to be able to establish the legal framework of the market economy. The implementation processes of commercial contracts, including the regulation of property rights, will be discussed in this thesis. In the theme of financial sector development, the development of banking sector, the existence of regulatory and supervisory institutions will be investigated comparatively.

1.2.2. The Capacity to Cope with Competition and Market Forces

Upon examining the aspect of competitiveness within the EU markets, which constitutes the second primary component of the Copenhagen economic criteria:

- Human and Physical Capital
- Sector and Business Structure
- Government Influence on Competitiveness
- Economic Integration with the EU

aspects should be evaluated.

When human and physical capital is examined, studies created to improve the human and physical capital of countries, research and development expenditures, infrastructure improvements come to mind. Considering the effect of human and physical capital on growth, in the coming pages, expenditure of candidate countries on education, research, and infrastructure will be scrutinized.

In the sector and business structure, it is important to evaluate the existence of regulatory and supervisory authorities and the independence of these units. The slowdown in the sectoral

transformation of the Turkish economy in recent years and the difficulty of new enterprises' access to financial resources will be examined in comparison with other candidate countries.

The influence of the state on competitiveness focuses on state aid, transparency of supportive policies, and consistency of decisions. This topic will be inspected based on the progress reports of the candidate countries within the scope of harmonization with the EU's competition policy.

The headline that provides the most exhaustive analysis is the harmonization with the EU. The path of economic alignment between the EU and Türkiye begins with the Customs Union (Official Journal of the European Communities, 1995). In the process initiated by the Customs Union decision of the Association Council in 1995, it will be demonstrated through comparative examples that Türkiye's economic integration and harmonization with the EU surpasses the other candidate countries.

2. HISTORICAL BACKGROUNDS OF THE RELATIONS WITH THE EU AND ECONOMIC INDICATORS OF THE CANDIDATE COUNTRIES

In this part of the thesis, after mentioning the short history of the candidate countries, the change and transformation experienced by the candidate countries on the way to full EU membership, and the association agreements signed will be examined for their effects on the economic indicators of the countries for the period between 2013 and 2022. The EU has signed bilateral agreements with many countries, and association agreements to prepare candidate countries for accession to the EU. The European Economic Community initiated its enlargement with establishing its earliest association agreements with Greece and Türkiye, setting a precedent for structured bilateral relations. Subsequently, the EU continued this practice by entering into Stabilization and Association Agreements with several Balkan countries, including Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia, to support their economic recovery after bloody wars and transition towards EU integration. Moreover, The EU sought to deepen ties with Moldova and Ukraine through the signing Association Agreements that include Deep and Comprehensive Free Trade Areas (DCFTAs), as a strategic move to further integrate them into its internal market and to support their European aspirations for peaceful foreign policy.

2.1. Albania

Albania has signed the Stabilization and Association Agreement with the European Union in 2006, effectuating the liberalization of trade by reducing customs barriers on agricultural and industrial commodities. The Stabilization and Association Agreement aims to bolster democracy and the rule of law in Albania, promote political, economic, and institutional stability within the country and the wider region, and establish a framework for political dialogue to enhance relations with the EU (The Council of the European Union, 2006).

Country	Albania
Capital City	Tirana
Total Area	28748 km ²
Population	2.868.704
Candidate Status	June 2014

Table 1: Key Information of Albania

Albania, which became independent from the Ottoman Empire in 1912, was occupied by Italy in 1939. After the country was occupied again by Nazi Germany in 1943, the communist party led by Enver Hoxha started a resistance in the country and took over the administration in 1944. Albania, which was an ally of the Union of Soviet Socialist Republics (USSR) until 1960, had a rapprochement with China until 1978. Democratization steps were taken with the first multi-party election in 1992. From this date on, the governments that came to power have strengthened the institutions and reforms by aiming to establish the legal principles and free market economy. The country declared as a potential candidate country at the Thessaloniki Summit in 2003; following the Stabilization and Association agreement signed with the EU. Followingly, Albania applied for EU membership in 2009 and became a North Atlantic Treaty Organization (NATO) member in the same year. Albania was declared as a candidate country in June 2014 and it was decided to start accession negotiations on 25 March 2020. Intergovernmental Conference at Ministerial Level was held on 19 July 2022 to open accession negotiations and the screening process of the country has started.

2.1.1. The Existence of a Functioning Market Economy

Economic Governance

Albania transitioned to a market economy and pluralistic democracy in 1992. Bank of Albania defines the main purpose of monetary policy as ensuring price stability. It tries to keep the consumer price inflation rate at 3.0% (inflation targeting regime) to ensure price stability. When Albania's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 2% to 7% (World Bank, 2023a). Due to inflation effect, consumer price index (2010 = 100) was calculated 108 in 2013 and increased to 132 with 22,5% change (World Bank, 2023b).

In order to be able to analyze economic governance level, government effectiveness rank and gross domestic product (GDP) are the vital indicators. Government effectiveness rank increased from 44% to 57% (World Bank, 2023c) although regulatory quality had suffered 3,6% decline (61% to 58%) from 2013 to 2022 (World Bank, 2023d). While the gross savings (% of GDP) had 0,8 % increase (World Bank, 2023e), general government final consumption expenditure share of GDP had a slight drop of 0,7% in the same period (World Bank, 2023f).

When it comes to Albanian economic management during the last decade, the public deficit and budget deficits are not at the expected level. Financial aid was given by the International Monetary Fund (IMF) and the European Union to recover deficits that continued to increase due to COVID-19. (European Commission, 2022a). Albanian government has gone beyond of the topics agreed with the EU as changing of 2021 and 2022 budgets, suspension of fiscal rules requiring debt reduction, and the postponement of the primary balance regime. When the level of economic governance of Albania is analyzed, based on some indicators:

- Expense (% of GDP) has been same level which is 24% (World Bank, 2023g).
- Between the period of 2013-2021, while interest payments (% of expense) have decreased from 13% to 8% (World Bank, 2023h), interest payments (% of revenue) has also decreased from 14% to 7% as well (World Bank, 2023i).
- Government expenditures, representing a percentage of the initial approved budget (%) has increased from 96% to 106% (World Bank, 2023j).
- Annual inflation, GDP deflator has jumped from 0,3% to 9,9% (World Bank, 2023k).
- Central government debt (% of GDP) has increased from 71% to 82% between the years 2013-2021 (World Bank, 2023l).
- Total reserves minus gold have drastically increased 87% from 2.7 billion US\$ (United States Dollar) to 5.1 billion US\$ between 2013-2022 (World Bank, 2023m).

Macroeconomic Stability

Although Albania is still experiencing difficulties of transition to a free market economy, problems in sustainable growth, informal economy, production, and employment continue. Since most of Albania's population lives in rural areas, the economy mostly depends on agriculture. The other leading branch of the economy is tourism. Textile and shoes are among the most exported products of Albania. Between the years 2013 to 2021 according to modeled

International Labour Organization (ILO) estimate, employment in services has increased from 39% to 44% (World Bank, 2023n) and industry has also increased from 17% to 21% (World Bank, 2023o). At the same time employment in agriculture has decreased from 44% to 35% (World Bank, 2023p). It can be referred that labor market trends are shifting from agricultural business to other sectors.

Although all the companies in the country are boss companies, most of them are subcontractors of the companies of the EU. When looking at the national income level; GDP per capita, purchasing power parity (PPP) of Albania had raised from 10.571 US\$ to 18.552 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 75,5%. Despite the significant increase in purchasing power parity, Albania remains among the low-income countries in Europe. Albania's economy is still growing, albeit more slowly.

When the macroeconomic outlook after COVID-19 is examined, it has demonstrated better recovery and growth than expected. Rising employment during the latter part of 2021 helped the labor market to recover (European Commission, 2022a). Wage and salaried workers of total employment has increased 1 percent in the related years.

According to last 10 years country reports, it can be said that the revenue reforms carried out in Albania have improved, but public expenditures are still weak.

Almost all of Albania's energy production depends on renewable energy. Since hydroelectric energy depends on rainfall, electricity in the country is generally quite costly, due to unpredictability. Therefore, the support for the energy sector cannot be foreseen fiscally. When Albania's energy data is examined, Albania is fully dependent on hydroelectricity for electricity production. While this leads Albania to generate 100% green electricity, it makes their supply quite vulnerable to climate & weather conditions due to rainfalls.

Fuel imports was %17 of total merchandise imports in 2013 and its share dropped down less than 1% in 2022 (World Bank, 2023r). This information indicates that Albania's needs for fuel has become less significant.

When Albania's macroeconomic indicators are analyzed:

- GDP of Albania had been raised from 12,8 billion US\$ to 18,9 billion US\$ from 2013 to 2022 (World Bank, 2023s). GDP increase is calculated as 47,8%. Albania GDP rank in the world jumped from 132nd to 124th in this 10-year period.
- GDP per capita of Albania had raised from 4.413 US\$ to 6.803 US\$ from 2013 to 2022 (World Bank, 2023t). In this 10-year period GDP per capita increase was 54,2%
- Foreign direct investment, net (BoP, current US\$) had changed from -1.23 Billion US\$ to -1.27 Billion US\$ (World Bank, 2023u). This 3,4% negative increase in investment outflows states that domestic investors are fonder of investing in abroad economies than the foreign investors' investments in Albania.
- Real interest rate has changed from 10% (2013) to -3% (2022) (World Bank, 2023v). This also shows that nominal rate is 3% lower than the rate of inflation. According to this data, people who keep their money in the bank will have a negative return after inflation.
- Taxes on income, profits and capital gains was 20% of total taxes in 2013 and increased to 22% in 2022 (World Bank, 2023w).
- For the last 10 years period, Total debt service share of exports of goods, services and primary income (14%) (World Bank, 2023x) and total debt service share of gross national income (GNI) (4%) (World Bank, 2023y) had been same level.
- Labor force participation rate of total population ages 15+ (according to ILO) had 7% increase from 52% to 59% (World Bank, 2023z) while the labor force increased 12,5% from 1,23 million (2013) to 1,38 million (2022) (World Bank, 2023aa). Between this 10-year period, unemployment rate had also dropped down 4% from 16% to 12% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had a slight positive 1% increase (49% to 50%) between years of 2013 and 2022 (World Bank, 2023ac).

Functioning of Product Markets

When Albania's exports of goods and services is considered, (% of GDP) in Albania had raised its proportion from 29% to 37% from 2013 to 2022 (World Bank, 2023ad). In this 10-year period Exports of goods and services (% of GDP) increase was 8,5%. According to this data, it can be said that Albania is more focused on value added products. Vast majority

products are textile and footwear, and most complex products are knives and cutting blades for machines.

Imports of goods and services (% of GDP) in Albania had also raised its proportion from %47 to %48 from 2013 to 2022 (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 0,9%. Imports are led by machinery & equipment and refined petroleum. External balance on goods and services has reduced from -2.3 billion US\$ to -2.0 billion US\$ (World Bank, 2023af).

In the light of this information, it can be referred that Albania still has a trade deficit, but it has been shrinking for the last 10 years with the effort of increasing its export with more value-added products and keeping the level of import at the same proportion.

Analyzing the liberalization aspects between the years 2013 and 2022; domestic credit to private sector (% of GDP) had declined from 40% to 34% with 5,7% drop (World Bank, 2023ag), monetary sector credit to private sector (% GDP) had decreased from 38% to 32% by 6,4% (World Bank, 2023ah). Private enterprises are either not supported or encouraged financially as it was 10 years ago.

Functioning of the Financial Market

The Albanian banking system is mostly composed of foreign banks. In the absence of an efficient stock exchange in the country, the local banking sector is the main source of business financing. The Albanian banking sector is sound and well capitalized (U.S. Department of State, 2023a). The Bank of Albania is responsible for supervising the banking sector in the country. The banking sector is 100% privately capitalized, with total assets reaching USD 16.9 billion in 2022, based on customer deposits (U.S. Department of State, 2023a). Due to the consolidation of the banking system and the withdrawal of EU banks from the region, the number of banks decreased to 11 in 2022. The Turkish National Commercial Bank (BKT) is the largest bank in the market with 26.2%. In second place is Credins Bank of Albania with 15.9% and in third place is Raiffeisen Bank of Austria with 15% (U.S. Department of State, 2023a). According to data from the World Bank, World Development Indicator, the level of bank concentration in Albania was recorded at 74% in 2021.

Bank of Albania uses a free floating exchange rate regime and does not engage in currency arbitrage. Only by increasing and decreasing money reserves, they try to correct excessive

volatility in the local foreign exchange market and implement monetary policy objectives (U.S. Department of State, 2023a). Albania's capital market consists of government bonds and bonds issued through private financing. A total of 13 capital market institutions are currently operating, all of which are banks (European Commission, 2023).

When the data of the last 10 years is examined, the banking industry seems stable and liquid. The profitability of the banking sector is declining since living an acute decrease of up to 7.4% pursuant to the data of March 2022 (European Commission, 2022a). Bank nonperforming loans to total gross loans has decreased from 22% to 5% from 2013 to 2022 (World Bank, 2023ai). Between the years 2013 to 2022, not only domestic credit provided by financial sector (% of GDP) decreased from 72% to 60% (World Bank, 2023aj), but also domestic credit to private sector by banks (% of GDP) decreased from 38% to 32% (World Bank, 2023ak).

In the same period, bank liquid reserves to bank assets ratio increased from 14% to 20% (World Bank, 2023al).

High use of euro creates a risk in the country. Since the euro is used immensely in Albania, the authorities wanted to prevent the possible decline of monetary policy and the ineffectiveness of fiscal policy by implementing de-euroization packages in 2017 and 2018.

Although increasing growth rates in 2020 and 2021 supported labor markets, the unemployment rate was still high.

Between the years 2013 and 2021, youth unemployment (ages 15-24), was 31% of total labor force and decreased to 30% (World Bank, 2023am). In the same period, the workforce participation rate among individuals aged 15 to 64 in the total population has increased from 60% to 69% (World Bank, 2023an). Wage and salaried workers of total employment has increased %41 to %47 (World Bank, 2023ao).

The leak of salary data of more than 630,000 Albanian citizens in 2021 had a great impact across the country, and arrests were made due to this personal data leak. As a result of this issue, anti-informality policies were developed and included in Albania's 2023-2025 Economic Program. In 2022, various measures were taken to combat informality and were included in the relevant program (European Commission, 2023a). While control of corruption percentile decreasing since 2017, it has been increased from 24% to 39% between the years 2013 and 2022 (World Bank, 2023ap).

To examine the state of economic status on the producer side, gross value added (GVA) at basic prices had increased from 11,1 billion US\$ to 16,5 billion US\$ with 48% increase between the years 2013 and 2022 (World Bank, 2023ar).

Households and Non-Profit Institutions Serving Households (NPISH) final consumption expenditure as a percentage of Gross Domestic Product (GDP) decreased from 80% to 76% between the years 2013 and 2022 (World Bank, 2023as). This indicator shows that spending share for human needs in total GDP is downsized.

2.1.2. The Capacity to Cope With Competitive Pressure and the Market Forces within the Union

One of the most important components related with the second title of Copenhagen economic criteria is education and expenditures regarding education. Albanian education level is at the good level. Children not attending primary school was 0% in 2013, ratio has dramatically increased to 9% in 2022 (World Bank, 2023at). Government expenditure on education has been at the same level, which is 3% of total GDP (World Bank, 2023au).

The other indicator related with the second title is research and development (R&D). Around 3% of the firms spend on R&D in the last 10 years (World Bank, 2023av). Between the years 2013 to 2022, communications & computer were consisting of 24% of service exports and increased to 30% (World Bank, 2023aw), their proportion of service imports decreased from 13% to 10% (World Bank, 2023ax). High-technology exports still consist lower than %1 of total manufactured exports (World Bank, 2023ay).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 36 in 2013 and 885 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 2,7 in 2022 (World Bank, 2023bb). Main obstacles between EU still include a substantial black market and inadequate energy and transportation infrastructure. Net investment in nonfinancial assets has been 4% of GDP without any significant change (World Bank, 2023bc).

Sectoral and Enterprise Structure

Albanian leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 23% ↘ 21% (World Bank, 2023bd)
- Manufacturing 5% ↗ 7% (World Bank, 2023be)
- Agriculture, forestry, and fishing 20% ↘ 19% (World Bank, 2023bf)
- Services 45% ↗ 47% (World Bank, 2023bg)

Economic Integration with the EU

Applied tariff rate weighted mean for all products has been same level, which is 1% for the last 10-year period (World Bank, 2023bh). Albania economic structure takes advantage of EU Foreign direct investment (FDI) power. Between 2013 and 2022, FDI net outflows were 0,2% of GDP and it has soared up to 0,9% (World Bank, 2023bi), in this time FDI net inflows had a downturn from 9,8% to 7,6% of total GDP (World Bank, 2023bj).

Upon analyzing the indicators, it is evident that economic integration with the EU has facilitated an increase in FDI rates in Albania. Firms can achieve international business status by engaging in foreign direct investment, either through establishing new operations or forming associations. Consequently, economic integration proves to be advantageous for all entities involved in the process, including companies, businesspeople, and economies (Kora & Gjoni, 2015).

The screening process for Albania was initiated by the European Commission in 2022. An examination of economic indicators reveals a clear positive impact of the EU membership perspective. However, there is an evident need for improvement in areas repeatedly highlighted in the reports published by the European Commission. According to 2023 Albania Report, it was stated that it should make significant progress compared to the European average in structural reforms such as the energy market, transportation infrastructure, and digitalization of education (European Commission, 2023a).

2.2. Bosnia and Herzegovina

The establishment of the Stability Pact for Southeastern Europe (SPSEE) in 1999 and the Stabilization and Association Agreement in 2000 marked significant milestones in Bosnia and Herzegovina's journey towards EU integration. Since December 15, 2010, Bosnia and

Herzegovina has enjoyed the benefits of visa liberalization. Additionally, a free trade area has been established between the EU and Bosnia and Herzegovina, leading to the EU becoming the country's principal trading partner. Moreover, Bosnia and Herzegovina avails itself of the EU's unilateral autonomous trade preferences extended to countries and regions engaged in or associated with the Stabilization and Association Process (Delegation of the European Union to Bosnia and Herzegovina, n.d.).

Country	Bosnia and Herzegovina
Capital City	Sarajevo
Total Area	51209 km ²
Population	3.271.000
Candidate Status	December 2022

Table 2: Key Information of Bosnia and Herzegovina

The Ottoman Empire ruled in Bosnia and Herzegovina, which joined the Ottoman Empire in 1463, for 400 years. Later, it became a privileged province with the Berlin Agreement. Following the weakening of the Ottoman Empire and its occupation by the Austro-Hungarian Empire, it was included in the territory of the Austro-Hungarian Empire in 1908. With the collapse of this empire after World War I (WW1), it was incorporated into Yugoslavia.

Bosnia and Herzegovina proclaimed its independence in April 1992 in line with the decision taken by the parliament. After acknowledging the independence of Bosnia and Herzegovina in the international community, it was admitted to the United Nations as an independent state in May 1992. The political system of Bosnia and Herzegovina was established with the Dayton Agreement signed in 1995 to end the war. It was aimed to achieve normalization in a peaceful environment and efforts were made to end the chaos in the political structure of the country.

At the Thessaloniki Summit held in June 2003, Bosnia and Herzegovina was given potential candidate country status, as well as other Western Balkan countries. The Stabilization and Association Agreement signed in 2008 entered into force on 1 June 2015. Following positive diplomatic developments, the country applied for full membership on 15 February 2016. Similar to other countries declared as potential candidates, the EU stated that it was too early to declare Bosnia and Herzegovina's candidacy and added that it should gain momentum in areas such as fundamental rights, rule of law and democracy. By 2022, it is stated in the

Enlargement Strategy Document that the country is ready for EU candidacy. At the EU Heads of State and Government Summit held in Brussels on 15 December 2022, EU Leaders granted candidate country status to Bosnia and Herzegovina.

Considering its economic structure, unemployment is one of the important problems. The service sector accounts for more than 60% of employment. Bosnia and Herzegovina is generally a country of which economic growth is focused on exports. The fact that it is one of the countries with the lowest national income rate in Continental Europe poses an economic problem on the path to full membership. If we consider the logistics option along with the context of historical and cultural ties; EU countries constitute a significant proportion of the country's foreign trade.

2.2.1. The Existence of Functioning Market Economy

Economic Governance

After the Dayton Agreement, Bosnia and Herzegovina has experienced serious changes in the economic and political context. In the country, which is trying to enter a rapid recovery process in the post-war economy, hydroelectricity generation has recently been seen as an important development strategy (Doğmuş, 2022). The main objective of the Central Bank of Bosnia and Herzegovina is to conduct the country's monetary policy, ensure the stability of the currency and support the orderly functioning of the financial system. The Bank also manages foreign exchange reserves, supervises the banking sector and ensures the efficient functioning of payment systems (Central Bank of Bosnia and Herzegovina, n.d.).

When Bosnia and Herzegovina's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 0% to 14% (World Bank, 2023a). Due to inflation effect, consumer price index (2010 = 100) was calculated 106 in 2013 and increased to 121 with 14% change (World Bank, 2023b).

Between 2013 and 2022 government effectiveness rank decreased from 40% to 13% (World Bank, 2023c) and Bosnia and Herzegovina has also suffered 4% regulatory quality decrease (50% to 46%) (World Bank, 2023d). While the Gross savings (% of GDP) had 14 % increase (World Bank, 2023e), general government final consumption expenditure share of GDP had a %4 drop from 2013 to 2022 (World Bank, 2023f).

Bosnia and Herzegovina's response to the COVID-19 pandemic suffered from a lack of transparency and coordination among key stakeholders. Measures were primarily focused at regional or local levels and were not well targeted to protect the most vulnerable segments of the population (European Commission, 2023b).

When the level of economic governance of Bosnia and Herzegovina is analyzed between 2013 and 2022, based on some indicators:

- Expense (% of GDP) decreased from 37% to 34% (World Bank, 2023g).
- Interest payments share for expense remained same level at 2% and interest payments share for revenue has a slight drop from 2% to 1% (World Bank, 2023h)
- Primary government expenditures as a proportion of original approved budget (%) has jumped from 90% to 103% (World Bank, 2023j).
- Annual inflation, GDP deflator has drastically increased from -0% to 12% (World Bank, 2023k).
- Central government debt (% of GDP) had decreased from 50% to 42% (World Bank, 2023l).
- Total reserves minus gold have a 78% growth from 4,9 billion US\$ to 8,7 billion US\$ (World Bank, 2023m).

Macroeconomic Stability

The macroeconomic stability of Bosnia and Herzegovina has reached a high level in recent years with the strengthening of the regional labor market. However, inflation and corruption rates negatively affect the stability of the country's economy. Due to the low trade volume of Bosnia and Herzegovina with Ukraine and Russia, the direct economic impact of Russia's invasion of Ukraine has been limited so far (European Commission, 2023b).

Between the years 2013 to 2021 according to modeled ILO estimate, % of total employment share in services increased from 51% to 54% and it has the major share of employment (World Bank, 2023n). Employment in industry has increased from 30% to 34% (World Bank, 2023o), at the same time employment in agriculture has suffered a decline from 19% to 11% (World Bank, 2023p). Labor trend in agriculture had faced an obvious decline in last 10 years.

When looking at the national income level; GDP per capita, PPP of Bosnia and Herzegovina had raised from 10.788 US\$ to 19.991 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 85%

Fuel imports of total merchandise imports has slightly decreased from 19% in 2013 to 16% in 2022 (World Bank, 2023r). This information indicates that Bosnia and Herzegovina's needs for fuel has become slightly less significant.

When Bosnia and Herzegovina's macroeconomic indicators are analyzed between 2013 and 2022:

- GDP of Bosnia and Herzegovina had been increased from 18.1 billion US\$ to 24.5 billion US\$ (World Bank, 2023s). GDP increase is calculated as 35%. Bosnia and Herzegovina GDP rank in the world climbed up from 115th to 112th in this 10-year period.
- GDP per capita of Bosnia and Herzegovina had a significant increase from 5.025 US\$ to 7.569 US\$ (World Bank, 2023t). In this 10-year period GDP per capita increase was 51%.
- Net foreign direct investment had changed from -227 million US\$ to -729 million US\$ (World Bank, 2023u). This negative 221% increase in outflow investment indicate shrinking investment activities in Bosnia and Herzegovina.
- Real interest rate has decreased from 7% (2013) to -8% (2022) (World Bank, 2023v). This also shows that nominal rate is 8% lower than the rate of inflation. According to this data, real interest rate had suffered 15% decrease.
- Taxes on income, profits and capital gains of total taxes has increased from 13% to 18% (World Bank, 2023w).
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experienced a 10% drop (World Bank, 2023x), in the same period total debt service % of GNI had also decreased 2% (World Bank, 2023y).
- Labor force participation rate of total population ages 15+ (according to ILO) had 5% increase from 45% to 50% (World Bank, 2023z) and labor force decreased 1% from 1.39m to 1.37m from 2013 to 2022 (World Bank, 2023aa). Between this 10-year period, unemployment rate had a 13% decrease from 27% to 14% (World Bank, 2023ab).

- Political Stability and Absence of Violence/Terrorism percentile had 4% decrease (34% to 30%) (World Bank, 2023ac).

Functioning of Product Markets

The areas such as the establishment of property rights in the real estate registration is one of the most challenging areas. Collaboration and coordination among various stakeholders have further deteriorated, posing a significant obstacle to the rule of law and the proper functioning of the judiciary. This situation hinders the creation of a level playing field across the country and has widespread negative impacts on the business environment (European Commission, 2022b).

When examining the exports of goods and services from Bosnia and Herzegovina (% of GDP), the country had raised its proportion from %34 to %48 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period Exports of goods and services (% of GDP) increase was 14%. According to this data, it can be said that there has been a significant improvement in the foreign trade performance of Bosnia and Herzegovina and indicates that its openness to foreign trade has increased.

Imports of goods and services (% of GDP) in Bosnia and Herzegovina had also raised its proportion from 54% to 62% in the same era (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 8%. This data states Bosnia and Herzegovina spending more on imports. External balance on goods and services has decreased from -3.72 billion US\$ to -3.38 billion US\$ (World Bank, 2023af). It shows that the economy of Bosnia and Herzegovina has become more dependent on imports and the country is spending more on imports. Moreover, the positive development on the external balance indicates that the country's trade deficit is decreasing, which may support economic stability.

In the light of this information, it can be referred that Bosnia and Herzegovina's trade deficit gap has been closing for the last 10 years with the effort of increasing its export with more value-added products.

Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had declined from 61% to 48% with 13% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had experienced a decline from 55% to 44% by 11% change (World Bank, 2023ah). There has been a decline in credit

provision to the private sector over the last 10 years. Domestic and money sector lending to the private sector has declined as a share of GDP. Private enterprises have more limited financial means than a decade ago. As a consequence, the private sector's capacity to grow and invest could be adversely affected.

Functioning of the Financial Market

In March 2022, a few days after the Russian aggression in Ukraine, the announcement of sanctions against the Russian financial sector negatively affected the status of bank deposits in two Sberbank subsidiaries (European Commission, 2023b). These two subsidiaries represented around 8% of the total assets of the banking sector, which resulted in the sale of both banks to maintain stability. As of 2023, there are 22 commercial banks operating in Bosnia and Herzegovina, some of which are separate branches of the same bank in the two entities (U.S. Department of State, 2023b). The majority of banks in Bosnia and Herzegovina are foreign-owned (more than 80%). According to data from the World Bank, World Development Indicator, the level of bank concentration in Bosnia and Herzegovina was recorded at 41.7% in the year 2021.

The Central Bank of Bosnia and Herzegovina (CBBH) has consistently maintained the currency at the same rate for the last 25 years through the currency board arrangement, where the currency is pegged to the euro at a fixed exchange rate (U.S. Department of State, 2023b). The currency board arrangement prevents the CBBH from acting as a lender of last resort. The CBBH also supports and maintains payment and settlement systems and coordinates the activities of asset banking institutions (Central Bank of Bosnia and Herzegovina, n.d.). While there are no state-owned enterprises at the national level in Bosnia and Herzegovina, there are more than 500 state-owned enterprises (GOEs). These SEEs employ an estimated 80,000 people, accounting for 11% of total employment (U.S. Department of State, 2023b).

Bank nonperforming loans to total gross loans has decreased from 15% to 5% from 2013 to 2022 (World Bank, 2023ai). In the same period, domestic credit provided by financial sector (% of GDP) decreased from 65% to 52% (World Bank, 2023aj), and domestic credit to private sector by banks (% of GDP) had also decreased from 55% to 44% (World Bank, 2023ak) and bank liquid reserves to bank assets ratio increased from 21% to 32% (World Bank, 2023al).

The increase in the ratio of banks' liquid reserves to their total assets suggests that the banking sector has become stronger in terms of liquidity and more resilient against possible shocks.

Years between 2013 and 2022, youth unemployment (ages 15-24) of total labor force decreased from 60% to 33% (World Bank, 2023am). Between 2013 and 2022, labor force participation rate of total population between the ages 15-64 has increased from 54% to 61% (World Bank, 2023an). Wage and salaried workers of total employment has increased 75% to 82% (World Bank, 2023ao).

An analysis of corruption data, one of the biggest problems in Bosnia and Herzegovina, reveals a significant decline. Control of corruption percentile has declined from 51 to 26 between the years 2013 and 2022 (World Bank, 2023ap).

To examine the state of economic status on the producer side, GVA had increased from 15 billion US\$ to 20.5 billion US\$ with 37% between the years 2013 and 2022 (World Bank, 2023ar).

Households and NPISHs final consumption expenditure (% of GDP) decreased from 84% to 68% between the years 2013 and 2022 (World Bank, 2023as). This indicator shows that spending share for human needs in total GDP is downsized. Additionally, it can be interpreted that households' incomes are directed more towards savings or that consumption expenditures tend to be restricted due to economic conditions.

2.2.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

A significant share of primary school children in Bosnia and Herzegovina still has limited access to education. Percentage of primary school-age children not enrolled in school was 15% in 2022 (World Bank, 2023at). Between the years 2013 to 2022, communications & computer were consisting of 37% of service exports and dropped to 30% (World Bank, 2023aw), their proportion of service imports declined from 24% to 19% (World Bank, 2023ax). High-technology exports consist around 5% of total manufactured exports (World Bank, 2023ay). 0,2 % of GDP spend on R&D each year in the last 10 years (World Bank, 2023bk). In general, 18% of the firms has spent on R&D in 2013 (World Bank, 2023av). Bosnia and Herzegovina has 443 researchers in research and development per 1 million people in 2021 which is 95%

more compared to 2013 (World Bank, 2023bl). Compared to other candidate countries, in the area of technology and R&D, the shares of exports and imports of services have decreased, while high-tech exports have remained low. On the other hand, the number of researchers has increased significantly.

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 41 in 2013 and 3.129 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 3 in 2022 (World Bank, 2023bb).

Sectoral and Enterprise Structure

The share of the industrial sector in the country's GDP has increased and, based on this data, it can be said that production activities are expanding. Although the share of the service sector has decreased, it continues to constitute a large part of the economy. Bosnia and Herzegovina's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 22% ↗ 25% (World Bank, 2023bd)
- Manufacturing 11% ↗ 14% (World Bank, 2023be)
- Agriculture, forestry, and fishing 7% ↘ 5% (World Bank, 2023bf)
- Services 56% ↘ 54% (World Bank, 2023bg)

Economic Integration with the EU

The average tariff rate for all products in Bosnia and Herzegovina has remained stable over the last decade. Applied tariff rate weighted mean for all products has been at the same level as 3% in the last 10-year period (World Bank, 2023bh). Outward FDI net outflows decreased relative to the country's GDP, but outward FDI net inflows hovered around 2% of GDP. This indicates that the country's foreign trade policy is stable and foreign investors continue to be interested in the country. Between 2013 and 2022, FDI net outflows were 0,5% of GDP and it went down to 0,1% (World Bank, 2023bi), in this time FDI net inflows had been around 2% of total GDP (World Bank, 2023bj).

When its economic indicators are examined, Bosnia and Herzegovina has made significant progress since the years it started its integration process with the EU. However, these

developments have not yet gained sufficient momentum towards full membership. When the reports published by the European Commission are examined, high levels of EU harmonization has not been achieved due to the low income level, low competitiveness, and lack of stable policies in the country (European Commission, 2023b).

2.3. Moldova

Moldova has embarked on a journey of economic integration and political association with the European Union (EU) following the execution of association agreements (AA) and the establishment of DCFTA agreements with the EU. The European Parliament has endorsed Moldova's trajectory towards European integration, and the incursion of Russian military forces into Ukraine has expedited Moldova's progression along this path (European Parliament, 2022a).

Country	Moldova
Capital City	Chisinau
Total Area	33.846 km ²
Population	2.615.000
Candidate Status	June 2022

Table 3: Key Information of Moldova

Following the annexation of Moldova by Russia, days have passed with full of identity conflicts for the citizens living in the region. Moldova was established in 1991 following the collapse of the Soviet Union. It is governed by the constitution established on July 29, 1994. It has the distinction of being the first country of the former Soviet Union to be included in the Council of Europe in 1995. Moldova, which joins NATO Partnership for Peace Program, follows a West-oriented foreign policy. Political uncertainty also negatively affected economic indicators, and the recovery process began in 2012 with the influence of political stability. The most developed sectors in the field of industry are; creates ready-made clothing and wine. Agriculture and agriculture-based industrial production constitute a significant part of the country's exports. Due to the lack of natural resources in the country, it is mostly dependent on the Russian Federation in fields such as coal, natural gas and oil. The majority of the economy in the country consists of foreign investments and foreign trade.

Moldova, whose relations with the EU have been continuing at a rapid pace since 2014, was granted candidate country status on June 23, 2022. It has been benefiting from visa liberalization since 2014. The Association Agreement, which includes strong political and economic integration, was also signed in 2014. The EU has reiterated at every opportunity that it will continue to provide all support to Moldova on its path to full membership. The support packages they offer are an indication of this.

The EU has started initiatives to provide 150 million euros of aid to Moldova within the scope of macro financial assistance. When 2020 data is examined; The EU is Moldova's largest trading partner, accounting for 52% of its total trade.

2.3.1. The Existence of Functioning Market Economy

Economic Governance

Moldova declared its independence in 1991 following the dissolution of the Soviet Union. The National Bank of Moldova explains its main purpose as ensuring and maintaining price stability. The Moldovan economy is mainly based on agriculture. When Moldova's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 5% to 29% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 118 in 2013 and increased to 233 with 72% change (World Bank, 2023b).

The government persistently pursued reforms to mitigate the repercussions of the energy crisis and provided assistance to those displaced by Russia's aggression on Ukraine. Structural reform initiatives were particularly directed at ensuring energy security, intensifying the fight against corruption, enhancing transparency in the justice sector, and implementing reforms for state-owned enterprise (SOE)s (European Commission, 2023c). Between 2013 and 2022 government effectiveness rank decreased from 42% to 41% (World Bank, 2023c) but Moldova has managed 6% regulatory quality increase (49% to 55%) (World Bank, 2023d). While the Gross savings (% of GDP) had 10 % decrease (World Bank, 2023e), general government final consumption expenditure share of GDP had %3 increase from 2013 to 2022 (World Bank, 2023f).

As of 2018, the World Bank defines Moldova as a low-middle income country. Although it is the poorest country in Europe, Moldova has experienced significant progress in reducing

poverty and achieving comprehensive growth with the economic steps it has taken in recent years. Moldova has made progress in growth rates, particularly in consumption and remittances.

When the level of economic governance of Moldova is analyzed between 2013 and 2022, based on some indicators:

- Expense (% of GDP) increased from 27% to 32% (World Bank, 2023g).
- Interest payments share for expense increased 1% (World Bank, 2023h) as same as interest payments share for revenue (World Bank, 2023i).
- Primary government expenditures as a proportion of original approved budget (%) has increased from 101% to 104% (World Bank, 2023j).
- Annual inflation, GDP deflator has drastically increased from 4% to 19% (World Bank, 2023k).
- Central government debt (% of GDP) had increased from 20% to 35% (World Bank, 2023l).
- Total reserves minus gold have a 59% growth from 2,8 billion US\$ to 4,5 billion US\$ (World Bank, 2023m).

Macroeconomic Stability

Moldova was affected both politically and economically by the conjuncture caused by Russia's attack on Ukrainian territory. Recently, serious crises have occurred with very high inflation, the arrival of a large number of Ukrainian immigrants to the country, war missiles passing through its own airspace, and power outages after Russia significantly reduced its natural gas supply. Between the years 2013 to 2021 according to modeled ILO estimate, % of total employment share in services decreased from 53% to 46% but still it has the major share of employment (World Bank, 2023n). Also, employment in industry has decreased 18% to 16% (World Bank, 2023o). Despite other European countries, employment in agriculture had an increase from 29% to 38%, which is one of the highest ratios amongst other European countries (World Bank, 2023p).

Moldova It is one of the countries with the lowest national income among the EU candidate countries. When looking at the national income level; GDP per capita, PPP of Moldova had raised from 8.284 US\$ to 15.719 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 90%.

The Moldovan economy, initially displaying signs of recovery post-COVID-19, witnessed a significant contraction in 2022, attributable to the energy crisis and a severe drought leading to a decline in production in agriculture-related industries. Elevated inflation, driven by escalating energy and food prices, exerted pressure on households' disposable income and consumption, while war-related uncertainties further weakened investments. Fuel imports of total merchandise imports has increased from %14 in 2013 to 28% in 2022 (World Bank, 2023r). This information indicates that Moldova's needs for fuel has become more significant.

When Moldova's macroeconomic indicators are analyzed between 2013 and 2022:

- GDP of Moldova had been decreased from 9.5 billion US\$ to 14.5 billion US\$ (World Bank, 2023s). GDP increase is calculated as 53%. Moldova GDP rank in the world climbed up from 145th to 137th in this 10-year period.
- GDP per capita of Moldova had a significant increase from 3.321 US\$ to 5.714 US\$ (World Bank, 2023t). In this 10-year period GDP per capita increase was 72%.
- Net foreign direct investment had changed from -211 million US\$ to -541 million US\$ (World Bank, 2023u). This negative 156% increase in outflow investment indicate shrinking investment activities in Moldova.
- Real interest rate has decreased from 8% (2013) to -6% (2022) (World Bank, 2023v). This also shows that nominal rate is 6% lower than the rate of inflation. According to this data, people who keep their money in the bank will have a negative return after inflation.
- Taxes on income, profits and capital gains of total taxes has increased from 4% to 20% (World Bank, 2023w).
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experienced a 6% drop (World Bank, 2023x), in the same period total debt service % of GNI had also decreased 1% (World Bank, 2023y).
- Labor force participation rate of total population ages 15+ (according to ILO) had 1% increase from 41% to 42% (World Bank, 2023z) and labor force decreased 12% from 0.98m to 0.85m from 2013 to 2022 (World Bank, 2023aa). Between this 10-year period, unemployment rate had a 3% decrease from 5% to 2% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had 24% decrease (46% to 22%) (World Bank, 2023ac).

Functioning of Product Markets

Moldova's foreign trade dynamics are particularly focused on sectors such as agricultural products, foodstuffs and textiles. While the agricultural products offered by Moldova in foreign markets include fruits, vegetables, wine and grains, processed products and beverages in the food industry also attract attention. In addition, products in the textile sector play an important role in Moldova's international trade and are among the factors that contribute to the economic diversity of the country. When Moldova's exports of goods and services is considered, (% of GDP) in Moldova had raised its proportion from %32 to %41 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period Exports of goods and services (% of GDP) increase was 9%.

Moldova's trade balance is generally negative and the country imports more. In general, goods and services such as energy, machinery and equipment, chemical products, metals and vehicles are imported. Imports of goods and services (% of GDP) in Moldova had also raised its proportion from %64 to %69 in the same era (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 5%. This data states Moldova spending more on imports. Imports are led by machinery & equipment and refined petroleum. External balance on goods and services has changed from -3 billion US\$ to -4.1 billion US\$ (World Bank, 2023af).

Since the early 2000s, many companies and assets owned by the state have been transferred to the private sector and liberalization steps have been taken in the economy. Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had declined from 36% to 28% with 8% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had experienced a decline from 34% to 22% by 12% change (World Bank, 2023ah). It can be referred that private enterprises have limited financial opportunities compared to 10 years ago.

Functioning of the Financial Market

In 2014, Moldova's banking crisis led to the closure of three banks, including the country's two largest, and a loss of USD 1.2 billion, shaking confidence in the banking system (U.S. Department of State, 2023c). Moreover, the role of a Moldovan bank in the "Russian Laundromat" case, which is thought to have laundered an estimated US\$ 20 to 80 billion, made these difficulties even more pronounced (U.S. Department of State, 2023c). This crisis shook

Moldova's banking system, causing some foreign correspondent banks to terminate their links with Moldovan banks and others to significantly tighten their lending policies (U.S. Department of State, 2023c).

Banks' assets account for about 55% of gross domestic product. Banks are also the largest providers of credit, with loans amounting to around USD 3.2 billion (U.S. Department of State, 2023c). Lending activity declined in 2019 and 2020, recovered somewhat in 2021, but declined again in 2022 due to high inflation and uncertainties caused by Russia's further invasion of neighboring Ukraine (U.S. Department of State, 2023c).

Moldova currently has 11 commercial banks. According to data from the World Bank, World Development Indicator, the level of bank concentration in Moldova was recorded at 70,6% in the year 2021. The National Bank regulates the commercial banking sector and reports to the Parliament. The share of foreign investors in the capital of Moldovan banks is reported to be about 87% of the total capital. Moldova's three largest commercial banks account for about 65% of total bank assets (European Commission, 2023c).

After 2016, Moldova's Parliament adopted laws to strengthen the independence of decision-making at the NCFM and NBM and developed a methodology to better identify interested parties in banks, with the aim of addressing supervisory issues that had a negative impact on Moldova's financial sector (U.S. Department of State, 2023c). The main goal is to strengthen the monitoring of shares and shareholders, with all bank shares required to be sold and traded on the Moldovan Stock Exchange. These measures have increased the transparency and credibility of the financial sector (European Commission, 2023c).

The Central Bank of Moldova uses a floating exchange rate regime, intervening only to correct sharp fluctuations (U.S. Department of State, 2023c). In 2022, the government approved a 2023-2030 State-Owned Enterprises Strategy, which aims to transform all state-owned enterprises into joint stock companies or limited liability companies by 2030 and establish uniform rules (European Commission, 2023c).

Moldova has strengthened its financial market infrastructure in line with the relevant parts of the European Directives MiFID I and II related to Securities Markets and Investment Services (European Commission, 2023c). The country has a small-scale capital market and a Multilateral Trading Facility operated by the Stock Exchange, but no investment company

currently holds a trading license. The national legislation is largely compliant with EU regulations governing collective investment management (European Commission, 2023c). When the data of the last 10 years is examined, the banking sector seems stable and liquid. The profitability of the banking sector is declining since living an acute decrease of up to 7.4% pursuant to the data of March 2022 (European Commission, 2022c). Bank nonperforming loans to total gross loans has decreased from 12% to 6% from 2013 to 2022 (World Bank, 2023ai). In the same period, domestic credit provided by financial sector (% of GDP) decreased from 39% to 29% (World Bank, 2023aj), and domestic credit to private sector by banks (% of GDP) had also decreased from 34% to 22% (World Bank, 2023ak) and bank liquid reserves to bank assets ratio increased from %21 to %51 (World Bank, 2023al).

Moldova's banking system is generally competitive and diverse. The system includes various financial service providers, as well as local and international banks.

Years between 2013 and 2022, youth unemployment (ages 15-24) of total labor force decreased from %12 to 8% (World Bank, 2023am). Between 2013 and 2022, labor force participation rate of total population between the ages 15-64 has increased from 46% to 48% (World Bank, 2023an). Wage and salaried workers of total employment has increased %69 to %78 (World Bank, 2023ao). Measures taken within the scope of combating unemployment in Moldova may include various policies such as employment support programs, vocational training and skill development projects, job search services, unemployment insurance. To examine the state of economic status on the producer side, GVA at basic prices had increased from 8.2 billion US\$ to 12.5 billion US\$ with 53% between the years 2013 and 2022 (World Bank, 2023ar).

2.3.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

Compulsory education in Moldova is 6 years and is free of charge. The education system in Moldova has been and continues to be adjusted in accordance with European norms and standards. Moldova's education level is at the good level. Ratio of children out of school of primary school age was 0% in 2022 (World Bank, 2023at).

Between the years 2013 to 2022, communications & computer were consisting of %42 of service exports and increased to 45% (World Bank, 2023aw), their proportion of service imports remained same as 26% (World Bank, 2023ax). Government expenditure on education is around 6% of total GDP (World Bank, 2023au). High-technology exports consist around %2 of total manufactured exports (World Bank, 2023ay). 0,3 % of GDP spend on R&D each year in the last 10 years (World Bank, 2023bk). In general, %11 of the firms has spent on R&D in 2013 (World Bank, 2023av). Moldova has 781 researchers in R&D per 1 million people in 2021 which is 6% more compared to 2013 (World Bank, 2023bl).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 59 in 2013 and 5.580 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 1,9 in 2022 (World Bank, 2023bb).

Sectoral and Enterprise Structure

Moldova's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 22% ↘ 19% (World Bank, 2023bd)
- Manufacturing 11% ↘ 9% (World Bank, 2023be)
- Agriculture, forestry, and fishing 12% ↘ 8% (World Bank, 2023bf)
- Services 53% ↗ 58% (World Bank, 2023bg)

Economic Integration with the EU

Economic relations between Moldova and the EU made an important progress with the signing of the Association Agreement in 2014. This Association Agreement covers cooperation in various fields such as trade and economic cooperation, political dialogue, and compliance with EU norms. Moldova has established a Customs Union with the Union as a part of Association Agreement. At the same time, Moldova is implementing the Free Trade Agreement with the EU. Between 2013 and 2022, FDI net outflows were 0,3% of GDP (World Bank, 2023bi) and FDI net inflows had been around 3% of total GDP (World Bank, 2023bj).

2.4. Montenegro

The Stabilization and Association Agreement (SAA) signed by Montenegro with the EU in 2007 is a crucial cornerstone of relations, forms the foundation of the integration process, similar to other Western Balkan candidate countries. To date, 33 out of 35 negotiation chapters have been opened, with three chapters provisionally closed. The latest conclusions adopted in December 2023 by the Council indicate that no additional chapters will be provisionally closed until the necessary criteria related to the rule of law are fulfilled (Council of the European Union, 2023).

Country	Montenegro
Capital City	Podgoritsa
Total Area	13812 km ²
Population	628.301
Candidate Status	December 2010

Table 4: Key Information of Montenegro

As a consequence, to the victory at the Battle of Kosovo, Ottoman Empire occupied Montenegro in 1499 and the country gained its independence after the Russo-Turkish War in 1878. Montenegro, which was included in the war after Serbia entered the First World War, became a part of the State of Slovenes, Croats and Serbs in 1918, and the kingdom was renamed the Federal Republic of Yugoslavia in 1929. The country, which was in a state union until 2006, gained its independence with the referendum held on 21 May 2006 as a result of the efforts of the independence movement. After Montenegro gained its independence, applied for EU membership in 2008, and the European Commission gave a positive opinion in 2010, saying that Montenegro should make progress in seven priority areas in order to start negotiation process. Montenegro, which was officially declared as an EU candidate on 17 December 2010, started accession negotiations on 29 June 2012. The citizens of Montenegro have been travelling visa-free through EU since 2009.

2.4.1. The Existence of Functioning Market Economy

Economic Governance

Montenegro, which gained its independence in 2006, is transitioning to a free market economy. Although Montenegro is not in the Eurozone, it uses the Euro as a currency, since the country does not have its own currency. The country's high unemployment rate and regional inequality are the main problems of its economy. Regional inequality can be explained by the inequality of the economic activities among the region. The mountainous Northern region of the country is the least developed part and its economy is based on small-scale industry, and agriculture. The economy of the central region is based on larger-scale industry and services.

100% of banks, telecommunications and gasoline distribution companies are privatized in the country. The economy is mostly based on the service sector and tourism. The main purpose of the Central Bank of Montenegro (CBCG) is the fostering and maintaining of the stability of financial system (Central Bank of Montenegro, n.d.). CBCG aim to develop a sound banking system and safe and sustainable payment methods as well. When Montenegro's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 2% to 13% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 110 in 2013 and increased to 135 with 22% change (World Bank, 2023b).

Even though government effectiveness rank decreased from 60% to 51% (World Bank, 2023c) Montenegro succeeded significant 14% regulatory quality increase (55% to 69%) from 2013 to 2022 (World Bank, 2023d). While the Gross savings (% of GDP) had 8% increase (World Bank, 2023e), general government final consumption expenditure share of GDP had a slight drop of %1 from 2013 to 2022 (World Bank, 2023f). When the level of economic governance of Montenegro is analyzed, based on some indicators:

- Between the period of 2013-2020 Primary government expenditures as a proportion of original approved budget (%) has decreased from %112 to %111, yet it is still over the approved budget (World Bank, 2023j).
- Annual inflation, GDP deflator has jumped from 2% to 10% (World Bank, 2023k)
- Total reserves minus gold have drastically increased 246% from 0.6 billion US\$ to 2 billion US\$ between 2013-2022 (World Bank, 2023m).

Macroeconomic Stability

Montenegro's economy has experienced a revival with the spread of tourism after COVID-19. The recovery in tourism also had positive effects on exports, reduction of the external debt, and increasing level of GDP. When looking at the national income level, GDP per capita, PPP of Montenegro had raised from 14.870 US\$ to 26.984 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 81%. Between the years 2013 to 2021 according to modeled ILO estimate, employment in services declined from 78% to 74% but it still has the major share of employment (World Bank, 2023n). Employment in industry has increased 18% to 19% (World Bank, 2023o), at the same time employment in agriculture has climbed up from 5% to 7% (World Bank, 2023p). It can be referred that labor market trends are slightly shifting from service industry even though it is the dominant business sector in the country.

The resumption of economic activities also led to a rapid revival in net FDI; This increased by 23.5% year-on-year in nominal terms, reaching 11.2% of GDP in 2021, thus exceeding the external deficit (European Commission, 2022d). The current account deficit, which has increased in the country towards the end of 2022, continues to rise with the increase in imports.

The decrease in the budget deficit in 2022 (1.9%) has progressed significantly when the data of the last 10 years are examined.

In December 2020 and April 2022 the government of Montenegro has changed. In general, the political instability in Montenegro has direct negative effect on the country's economy. Nevertheless, fiscal and economic policies are at the good level. Tightening fiscal policy to restrain price growth is found useful in the Montenegro 2022 Report.

The main partner countries from which Montenegro imports fuel in 2021 are Greece, Croatia, Serbia, France (Serbia/Montenegro), Bosnia-Herzegovina and Switzerland. Fuel imports of total merchandise imports of the country has slightly increased from %15 in 2013 to 18% in 2022 (World Bank, 2023r). This information indicates that Montenegro's needs for fuel has become slightly more significant.

When Montenegro's macroeconomic indicators are analyzed:

- GDP of Montenegro had been raised from 4,5 billion US\$ to 6,1 billion US\$ from 2013 to 2022 (World Bank, 2023s). GDP increase is calculated as 37%. Montenegro GDP rank in the world climbed from 161st to 155th in this 10-year period.
- GDP per capita of Montenegro had raised from 7.189 US\$ to 9.894 US\$ from 2013 to 2022 (World Bank, 2023t). In this 10-year period GDP per capita increase was 38%.
- Net foreign direct investment had changed from -429 million US\$ to -821 million US\$ (World Bank, 2023u). This massive 91% negative increase in outflow investment indicate disinvestment / reinvestment abroad in Montenegro.
- Real interest rate has changed from 7% (2013) to -4% (2022) (World Bank, 2023v). According to this data, people who keep their money in the bank will have a 4% negative return due to inflation.
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experience a 7% drop (World Bank, 2023x), in the same period total debt service % of GNI had decreased 2% (World Bank, 2023y).
- Labor force participation rate of total population ages 15+ (according to ILO) had 7% increase from 50% to 57% (World Bank, 2023z) and labor force increased 13% from 253k to 286k between 2013 and 2022 (World Bank, 2023aa). Between this 10-year period, unemployment rate had also dropped down 5% from 20% to 15% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had a sharp 20% drop (64% to 44%) between years of 2013 and 2022 (World Bank, 2023ac).

Functioning of Product Markets

Aluminum and electricity are among the most exported products in Montenegro. When Montenegro's exports of goods and services is considered, (% of GDP) in Montenegro had raised its proportion from %41 to %53 from 2013 to 2022 (World Bank, 2023ad).

Imports of goods and services (% of GDP) in Montenegro had also raised its proportion from %61 to %76 from 2013 to 2022 (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 15%. This data states Montenegro spending vast amount on imports. External balance on goods and services has increased from -0.9 billion US\$ to -1.4 billion US\$ (World Bank, 2023af).

Montenegro has high level of liberalization. The process of economic liberalization in the country took place simultaneously with monetary, fiscal and fiscal reforms. Administrative price controls were removed, trade restrictions were eased, privatization processes were accelerated while capital flows were liberalized (Katnic & Lukšić, 2016). Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had declined from 54% to 48% with -6% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had experienced exact same decline from 54% to 48% by negative 6% change (World Bank, 2023ah). Private enterprises are less supported / encouraged financially compared to 10 years ago.

Functioning of the Financial Market

The banking sector in Montenegro is fully privatized, with 11 private banks operating in the country and the majority of banks in Montenegro belong to international banking chains. The Central Bank of Montenegro (CBCG), as the fiscal agent of the state, is focused on controlling the banking system and maintaining the payment system, as its competence in monetary policy is limited (U.S. Department of State, 2023d). The Central Bank regulates the process of bank establishment. Based on these data, it is evident that state intervention in the price determination process in Montenegro is generally limited and as a result, the country adopts the principles of a free market economy. Prices are generally formed according to the balance of supply and demand. Based on data from the World Bank's World Development Indicators, the level of bank concentration in Montenegro was recorded at 83.2% in 2021.

The CBCG carried out an asset quality review (AQR) according to the European Central Bank (ECB) methodology for all domestic banks in September 2021, and the results confirmed that the COVID-19 crisis has not badly affected the country and that the local banking system maintains its stability and strong position (European Commission, 2022d). Bank nonperforming loans to total gross loans has decreased from 20% to 6% from 2013 to 2022 (World Bank, 2023ai). Between the years 2013 to 2022, domestic credit to private sector by banks (% of GDP) decreased from 54% to 48% (World Bank, 2023ak). In the same period, bank liquid reserves to bank assets ratio increased from 13% to 38% (World Bank, 2023al).

Due to the COVID-19, the sharp decline in employment were seen in the country especially in tourism sector. Between the years 2013 and 2021, youth unemployment (ages 15-24) of total

labor force decreased from 42% to 28% (World Bank, 2023am). In the same period, labor force participation rate of total population between the ages 15-64 has increased from 59% to 67% (World Bank, 2023an). Wage and salaried workers of total employment has decreased 84% to 79% (World Bank, 2023ao). It can be said that, the declining behind the unemployment is coming from the lower participation in the labor market. The efficacy of labor market policies in facilitating individuals' engagement in the labor market is questionable. Additionally, there is a lack of a consistent monitoring mechanism for active labor market measures, a responsibility that should be assumed by the Montenegrin Employment Agency. However, the reform aimed at addressing the Agency's presently inefficient institutional structure has not been put into effect as of yet (European Commission, 2022d).

In recent years, Montenegro has implemented an extensive strategic and legal framework to combat corruption. Anti-corruption entities are duly established by legislation to enforce proactive anti-corruption policies and practices. Nevertheless, there is a need for further enhancement of the existing legal and institutional framework to align with EU standards. Control of corruption percentile has increased from 48 to 51 between the years 2013 and 2022 (World Bank, 2023ap).

To examine the state of economic status on the producer side, gross value added at basic prices (GVA) had increased from 3,7 billion US\$ to 4,9 billion US\$ with 33% increase between the years 2013 and 2022 (World Bank, 2023ar).

Households and NPISHs final consumption expenditure (% of GDP) decreased from 81% to 76% between the years 2013 and 2022 (World Bank, 2023as).

2.4.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

Due to the COVID-19 pandemic, there has been limited progress in implementing reforms aimed at enhancing the quality of education as outlined in agreed-upon action plans. Recent data indicates challenges in both the quality and relevance of the education system, including issues such as the insufficient practical experience of graduates from vocational and higher education. Career mismatch appears to be particularly high among higher education graduates. The high rate of transition from vocational education to some higher education programs for which there is no vocational demand in the Montenegrin labor market increases youth

unemployment (European Commission, 2022d). The present strategy for digitizing the education system (2022-2027) strives to ensure internet availability in all schools. The percentage of primary school-age children not attending school was 10% in 2022 (World Bank, 2023at).

Like education level, research and development investments of the country is not sufficient enough in comparison with the other candidates. Between the years 2013 to 2022, communications & computer were consisting of %15 of service exports and jumped to 21% (World Bank, 2023aw), their proportion of service imports declined from 50% to 35% (World Bank, 2023ax). High-technology exports consist around %9 of total manufactured exports (World Bank, 2023ay). Less than 0,5% of GDP spend on R&D in the last 10 years (World Bank, 2023bk). In general, %4 of the firms has spent on R&D (World Bank, 2023av). Montenegro has 747 researchers in research and development per 1 million people in 2019 which is 10% more compared to 2013 but still quite a bit lower than other European countries (World Bank, 2023bl).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 58 in 2013 and 784 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 2,5 in 2022 which is considered low amongst other EU candidates (World Bank, 2023bb).

Sectoral and Enterprise Structure

Montenegro's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 15% ↘ 13% (World Bank, 2023bd)
- Manufacturing 4% = 4% (World Bank, 2023be)
- Agriculture, forestry, and fishing 8% ↘ 6% (World Bank, 2023bf)
- Services 59% ↗ 61% (World Bank, 2023bg)

Economic Integration with the EU

Even though the highest share of foreign trade was recorded with the European Union countries, Data from the Montenegrin Investments Agency (MIA) shows that Russia is the

biggest foreign investor in the country between 2010-20. Tourism, real estate and energy are the most important areas that attracts FDI. The EU's support to Montenegro is crucial to promote the country's economic and social development, as well as to ensure its alignment with EU standards and prepare for EU membership. This support plays an important role in Montenegro's integration process with the EU. Compared to other Western Balkan countries, the transformative power of the EU is more visible in Montenegro's economic indicators. Using the Instrument for Pre-Accession Assistance (IPA) in the fields of competitiveness, innovation and education, Montenegro's progress in the EU integration process can be seen in the Montenegro reports for 2022 and 2022 and the data in this and the next chapter of the thesis.

2.5. North Macedonia

North Macedonia signed the Stabilization and Association Agreement on April 9, 2001. With the agreement, which entered into force on April 1, 2004, it is the first country in the Balkans to sign the SAA. Today, the country benefits from visa-free travel to the Schengen area and the screening process was completed in December 2023.

Country	The Republic of North Macedonia
Capital City	Skopje
Total Area	25713 km ²
Population	2.085.679
Candidate Status	December 2005

Table 5: Key Information of The Republic of North Macedonia

From the end of the Middle Ages, Macedonia, like the rest of the Balkans, was under the rule of the Ottoman Empire between 1371 and 1912. However, due to rising nationalism movements in the 19th century, the Ottoman Empire could not keep control of the region and Macedonia declared its independence. After Macedonia declared its independence from the Ottoman Empire, it lost its territorial integrity to a great extent and became a war zone between the Balkan states. It also affected badly by the World Wars. After the Second World War, Macedonia became an autonomous state within the Republic of Yugoslavia. After the Cold War, the civil war in Yugoslavia led to the division of Yugoslavia and Macedonia gained its independence on November 17, 1991 (Özgün & Koçak, 2014). After this date, Greece perceived Macedonia's naming of itself as Macedonia as a threat to them and asserted that

Macedonia might be claimed rights on its territory. For this reason, Greece blocked Macedonia's EU and NATO membership. Macedonia applied for EU membership on 22 March 2022 was declared a candidate country in 2005. Due to the aforementioned naming dispute between these countries, membership negotiations could not be started for many years. In 2019, the Prespa Agreement was signed between Macedonia and Greece to normalize the relations between the countries, and then the membership process gained momentum. The decision to initiate accession talks with North Macedonia was made on March 25, 2020 and to open accession negotiations on 25 March 2020 at the same time with Albania.

2.5.1. The Existence of Functioning Market Economy

Economic Governance

After the Republic of North Macedonia gained its independence in 1991, it started to make efforts to transition to a free market economy. It could not establish a balanced economic order due to the lack of infrastructure and the Greek embargo, which evaluated in the third part of the study. Unemployment, poverty rates, and external migration, which examined in the following lines, continue to pose problems in the country.

The National Bank of the Republic of North Macedonia (NBRNM) defines its monetary policy's ultimate goal as providing price stability in line with European System (National Bank of the Republic of North Macedonia, n.d.). This primary objective is carried by an exchange rate targeting strategy, whereby the Macedonian denar is fixed against the euro as a nominal anchor for the economy. Money and foreign exchange forecasts reports are prepared by NBRNM twice a year. The second objective of NBRNM is to make an effort to protect stable, competitive, and market oriented economy. When North Macedonia's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 3% to 14% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 110 in 2013 and increased to 135 with 23% change (World Bank, 2023b).

When economic governance level of the North Macedonia is analyzed in terms of government effectiveness rate, it has increased from 48% to 50% (World Bank, 2023c), and also succeeded 7% regulatory quality increase (60% to 67%) from 2013 to 2022 (World Bank, 2023d). While the Gross savings (% of GDP) had 2 % increase (World Bank, 2023e), general

government final consumption expenditure share of GDP had a slight drop of %2 from 2013 to 2022 (World Bank, 2023f).

In 2013, reforms regarding economic, fiscal and structural policies were discussed between the EU and the Republic of North Macedonia within the scope of The Pre-accession economic program. With this program, economic policies were guided. Despite the support provided by the Government due to the increasing price pressures in the economy after the COVID-19 pandemic, it can be said that progress in economic reforms is slow (European Commission, 2023e).

When the level of economic governance of North Macedonia is analyzed, based on some indicators:

- Expense (% of GDP) has increased from 28% to 34% from 2013 to 2021 (World Bank, 2023g).
- In the same period, interest payments share for both expense and revenue has slightly increased from 3% to 4% (World Bank, 2023h) (World Bank, 2023i).
- Between the period of 2013-2020 Primary government expenditures as a proportion of original approved budget (%) has increased from %95 to %102 (World Bank, 2023j).
- Annual inflation, GDP deflator has jumped from 4% to 8% (World Bank, 2023k).
- Total reserves minus gold have drastically increased 50% from 2.5 billion US\$ to 3.7 billion US\$ between 2013-2022 (World Bank, 2023m).

Macroeconomic Stability

With the transition to a free market economy, the role of industry in the economy has decreased significantly. One of Macedonia's biggest problems is unemployment. The primary cause of the decline in employment levels is the emigration of young people in search of job opportunities. Between the years 2013 to 2021 according to modeled ILO estimate, employment in services has increased from 51% to 58% (World Bank, 2023n), and employment in industry has increased from and 30% to 31% (World Bank, 2023o). At the same time employment in agriculture has decreased from 19% to 11% (World Bank, 2023p). This data indicate that agricultural businesses has become less preferable.

When looking at the national income level; GDP per capita, PPP of North Macedonia had raised from 12.727 US\$ to 20.162 US\$ from 2013 to 2022 (World Bank, 2023q). In this

10-year period GDP per capita, PPP increase was 58%. The North Macedonia's economy has been impacted by the consequences of Russia's invasion on Ukraine, while GDP growth has slowed. The other reason behind the GDP decrease is the COVID-19. On the other hand, negative effects on economic growth were observed as imports exceeded the export growth rate.

Although the foreign exchange brought by people who have an important place in the country's economy and go abroad to work contributes to the country's economy, private consumption growth has decreased.

The Republic of North Macedonia is dependent on foreign energy. The main reason for the increasing current account deficit is the expanding energy trade. To reduce foreign dependency in energy, the country aims to turn to solar energy and make investments in line with this goal. It uses the Russian-Turkish natural gas pipeline for gas imports. In an effort to overcome this dependency, the government has implemented the Energy Development Strategy. This strategy delineates three distinct scenarios: the baseline (business as usual), moderate transition, and green (strong de-carbonization) scenarios. Both the moderate transition and green scenarios project a cessation of coal usage by 2025, positioning the country as the first in the Western Balkans to present tangible strategies for a coal phase-out before 2030 (Gallop et al., 2021).

Fuel imports of total merchandise imports has slightly increased from % 16 in 2013 to 18% in 2022 (World Bank, 2023r). This information indicates that North Macedonia's needs for fuel has become slightly more significant.

When North Macedonia's macroeconomic indicators are analyzed:

- GDP of North Macedonia had been raised from 10,8 billion US\$ to 13,6 billion US\$ from 2013 to 2022 (World Bank, 2023s). GDP increase is calculated as 25,4%. North Macedonia GDP rank in the world climbed from 141st to 138th in this 10-year period.
- GDP per capita of North Macedonia had raised from 5.241 US\$ to 6.591 US\$ from 2013 to 2022 (World Bank, 2023t). In this 10-year period GDP per capita increase was 26%.
- Net foreign direct investment had changed from -305 million US\$ to -701 million US\$ (World Bank, 2023u). This vast 130% negative increase in outflow investment indicate disinvestment / reinvestment abroad in North Macedonia.

- Real interest rate has changed from 4% (2013) to -3% (2022). This also shows that nominal rate is 3% lower than the rate of inflation (World Bank, 2023v).
- Taxes on income, profits and capital gains was 19% and increased to 25% of total taxes from 2013 to 2021 (World Bank, 2023w).
- For the last 10 years period, total debt service percentage of exports of goods, services and primary income experience a 2% drop (World Bank, 2023x) while total debt service share of GNI had increased 2% (World Bank, 2023y).
- Between the years 2013 and 2022, Labor force participation rate of total population ages 15+ (according to ILO) had 2% decrease from 56% to 54% (World Bank, 2023z) and labor force decreased 1% from 951k to 940k (World Bank, 2023aa). Between this 10-year period, unemployment rate had also significantly dropped down 14% from 29% to 15% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had jumped 18% (33% to 51%) between years of 2013 and 2022 (World Bank, 2023ac).

The National Bank of the Republic of North Macedonia (NBRNM) defines its monetary policy's ultimate goal as providing price stability in line with European System. This primary objective is carried by an exchange rate targeting strategy. Money and foreign exchange forecasts reports are prepared by NBRNM twice a year. The second objective of NBRNM is to make an effort to protect stable, competitive, and market oriented economy.

North Macedonia took an important step regarding fiscal policy and adopted the Organic Budget Law (OBL) in September 2022. This step aims to strengthen the budget procedure by establishing financial rules and a fiscal council. However, since the legal basis required for the implementation of OBL has not been fully established, in de facto, the system is not working.

Functioning of Product Markets

The North Macedonian economy is becoming less dependent on agriculture. Main agricultural products are rice, cotton, fruits, and tobacco. The country is poor in terms of raw materials and has limited capacity of mines such as iron and copper. The fact that the economy is externally dependent and generally based on basic agriculture, this situation paves the way for being vulnerable to external shocks and dependent on imported products. Although the

informal economy, which is one of the main problems of the Balkan countries, is also seen in North Macedonia, product market suffering is a result of this situation.

The North Macedonian government established a plan to combat with informal economy in 2018. The Ministry of Finance prepared the 2023-2027 Strategy for the Formalization of the Informal Economy along with an Action Plan. to support this ultimate goal. Another important step taken to fight with the informal economy is the adoption of tax legislation at the end of 2022. In this way, it aimed to strengthen tax payment and control unregistered activities. While control of corruption percentile increasing since 2020, it has decreased from 56 to 44 between the years 2013 and 2022.

When North Macedonia's exports of goods and services is considered, (% of GDP) in North Macedonia had raised its proportion from %43 to %75 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period, exports of goods and services (% of GDP) increase was 32%. According to this data, it can be said that North Macedonia is more focused on value added products.

Imports of goods and services (% of GDP) in North Macedonia had also raised its proportion from %61 to %96 from 2013 to 2022 (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 35%. This data states North Macedonia spending immensely on imports. External balance on goods and services has increased from -1.95 billion US\$ to -2.85 billion US\$ (World Bank, 2023af).

Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had increased from 48% to 56% with 8% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had increased from 47% to 53% by 6% change (World Bank, 2023ah). Private enterprises are more supported / encouraged financially compared to 10 years ago.

Functioning of the Financial Market

In the North Macedonia, companies' own cash flows, as well as the lack of corporate bonds and other securities as credit instruments, mean that they are financed mainly through bank loans (U.S. Department of State, 2023e). Financial resources are managed almost entirely through the banking system, which consists of 13 banks and 1 central bank in the country (U.S. Department of State, 2023e). The banking sector is highly concentrated, with the 3 largest banks

controlling 57% of the banking sector's total assets, collecting 70.5% of total household deposits and extending 61% of all credit to households. The largest commercial bank in the country holds 23% of the banking sector's total assets. In 2022, 12 of North Macedonia's 13 banks are foreign-owned, controlling 71% of total banking sector assets, 81% of total loans and 69% of total deposits (U.S. Department of State, 2023e). Alternative financial services are not available in the economy. Transaction fulfillment mechanism is realized only through the banking sector. According to data from the World Bank, World Development Indicator, the level of bank concentration in North Macedonia was recorded at 97.4% in the year 2021.

The NBRNM operates the foreign exchange market but participates on equal terms with other organizations. The NBRNM has successfully kept the denar at the same level since 1997, when it pegged the denar to the euro. There are about 120 State Owned Enterprises (SOEs) in North Macedonia, most of them related to public services. The government estimates that around 8,600 people are employed in SOEs and they operate in various sectors of the economy, such as energy, transport and media (European Commission, 2023e).

According to the 2023 Report, North Macedonia's bank capital and profitability have increased since COVID-19. The capital adequacy ratio of banks remains well above the legal level (European Commission, 2023e). The progress of financial diversification is advancing at a sluggish pace, as banks still account for approximately 79.1% of financial sector assets (European Commission, 2023e). Bank nonperforming loans to total gross loans has decreased from 11% to 3% from 2013 to 2022 (World Bank, 2023ai). Between the years 2013 to 2022 not only domestic credit provided by financial sector (% of GDP) increased from 55% to 74% (World Bank, 2023aj), but also domestic credit to private sector by banks (% of GDP) increased from 47% to 53% (World Bank, 2023ak). In the same period, bank liquid reserves to bank assets ratio increased from %22 to %24 (World Bank, 2023al).

Between the years 2013 and 2021, youth unemployment (ages 15-24), was %52 of total labor force and decreased to 35% (World Bank, 2023am). In the same period, labor force participation rate of total population between the ages 15-64 has remained at the same level by 65% (World Bank, 2023an). Wage and salaried workers of total employment has increased %72 to %83 (World Bank, 2023ao).

To examine the state of economic status on the producer side, gross value added at basic prices (GVA) had increased from 9,4 billion US\$ to 12,2 billion US\$ with 30% increase between the years 2013 and 2022 (World Bank, 2023ar).

Households and NPISHs final consumption expenditure (% of GDP) decreased from 72% to 70% between the years 2013 and 2022 (World Bank, 2023as). This indicator shows that spending share for human needs in total GDP is downsized.

2.5.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

On the education side, the North Macedonian education is at the good level. While children out of school of primary school age was 10% in 2013, ratio has decreased to 8% in 2021 (World Bank, 2023at).

Between the years 2013 to 2022, communications & computer were consisting of %59 of service exports and dropped to 55% (World Bank, 2023aw), their proportion of service imports declined from 49% to 45% (World Bank, 2023ax). High-technology exports still consist around %4 of total manufactured exports (World Bank, 2023ay). Less than 0,5% of GDP spend on R&D in the last 10 years (World Bank, 2023bk). North Macedonia has 753 researchers in R&D per 1 million people which is 11% more compared 10 years ago but still considerably low amongst other European countries (World Bank, 2023bl).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 65 in 2013 and 1022 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 3 in 2022 (World Bank, 2023bb).

Sectoral and Enterprise Structure

North Macedonian leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 22% ↗ 23% (World Bank, 2023bd)
- Manufacturing 10% ↗ 13% (World Bank, 2023be)
- Agriculture, forestry, and fishing 10% ↘ 8% (World Bank, 2023bf)

- Services 55% ↗ 59% (World Bank, 2023bg)

Economic Integration with the EU

The European Commission introduced screening report to the Council, which includes Cluster – I for opening accession negotiations with the Republic of North Macedonia (European Commission, 2023e).

FDI investment restriction and corruption played a major role in reducing the North Macedonia's FDI attractiveness. Since COVID-19, the government's initiatives to attract new investments have been constrained, primarily prioritizing economic recovery post-pandemic. Nevertheless, the government has sought partnerships with foreign companies and investors, particularly in public projects related to transportation and energy infrastructure. Notably, digitalization and green energy are identified as promising sectors for foreign investment, aligning with the government's increasing dedication to invest in these strategic areas. Although share of the EU has been declining since 2015, EU is still the most significant investor in North Macedonia and considering around 56% of total FDI inflows in 2021 (European Commission, 2023e). Since 2007, the European Union has invested €1.6 billion through IPA. These areas include rule of law, fundamental rights, democracy, environmental protection, economic growth and rural development.

2.6. Serbia

At the 2003 Thessaloniki European Council, Serbia, along with other Balkan states, was identified as a potential candidate for European Union (EU) membership. In 2008, Serbia formalized its relationship with the EU by signing the Stabilization and Association Agreement. The country officially applied for EU membership in 2009 and has held the status of a candidate country since 2012 (Delegation of the EU to Serbia, n.d.).

Country	Serbia
Capital City	Belgrade
Total Area	88.499 km ²
Population	6.834.000
Candidate Status	March 2012

Table 6: Key Information of Serbia

Serbia is one of the most important country to provide stability in Western Balkans. Considering the wars caused by the nationalist regime in 1999, the strategic importance of Serbia becomes clear. It is at a strategic point as it is the connection point of Europe with the East. Due to the presence of the Danube River, trade routes extending into Europe, many states think that if the Balkans are taken under control, they will also dominate Europe, the Eastern Mediterranean and the Black Sea (Göral, 2013).

Serbia, which became independent after the 1877-78 Ottoman-Russian war, united with the Croatian and Slovenian Kingdoms to form a new kingdom. When Aleksandar Karadordevic I took power in 1929, the name of the state became the Kingdom of Yugoslavia. During World War II, a civil war broke out between Partisans who supported communism and royalist nationalists. After the Partisans led by Tito won the war, the Federal People's Republic of Yugoslavia was established.

After Tito's death in 1980, political and economic problems occurred in the country. As a result of internal tensions, Croatian and Slovenian members left and Yugoslavia dissolved in 1990. As a result of the wars that broke out between the seceding states, Croatia gained its independence in 1991. Serbia, which started to attach importance to the principles of democracy and the legal framework with Milutinovic administration, has become closer to the EU. Simultaneously, it cooperated with international organizations regarding war criminals and signed the Stabilization and Association Agreement with the EU in 2008. It applied for EU membership on 2 December 2009. Serbia's path for membership was opened with the apprehension of Ratko Mladic, accountable for the Srebrenica massacre in May 2011, and Goran Hadzic, responsible for the massacres in the Krajina region in Croatia, in July 2011. At the same time, Serbia's steps towards EU membership in the fight against organized crime and in immigration policy have strengthened the country on its path to the EU.

2.6.1. The Existence of Functioning Market Economy

Economic Governance

The Central Bank of Serbia has defined its main objectives as ensuring price stability and strengthening the stability of the financial system. While agriculture and industry constituted the majority of the country's economy in the early 2000s, it has now shifted towards the service

sector. When Serbia's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 8% to 12% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 128 in 2013 and increased to 170 with 33% change (World Bank, 2023b).

The Serbian economy was not negatively affected by the supply-demand shocks caused by COVID-19, thanks to its macroeconomic and financial stability. Not only government effectiveness rank increased from 47% to 57% (World Bank, 2023c), Serbia has also managed 4% regulatory quality increase (52% to 56%) from 2013 to 2022 (World Bank, 2023d). While the Gross savings (% of GDP) had 7 % increase (World Bank, 2023e), general government final consumption expenditure share of GDP had a slight drop of 2% from 2013 to 2022 (World Bank, 2023f).

When the level of economic governance of Serbia is analyzed, based on some indicators:

- Expense (% of GDP) decreased from 41% to 40% from 2013 to 2021 (World Bank, 2023g).
- In the same period, interest payments share for expense decreased from 5% to 4% (World Bank, 2023h), interest payments share for revenue has slightly decreased from 6% to 5% (World Bank, 2023i).
- Between the period of 2013-2020 primary government expenditures as a percentage of the initially approved budget (%) has skyrocketed from 93% to 132% (World Bank, 2023j).
- Annual inflation, GDP deflator has jumped from 5% to 11% (World Bank, 2023k).
- Total reserves minus gold have increased 25% from 14.8 billion US\$ to 18,4 billion US\$ between 2013-2022 (World Bank, 2023m).

Macroeconomic Stability

Serbia strives for macroeconomic stability through steady, high rate of expansion and low inflation. The government is still dedicated to enacting economic reforms and maintaining macroeconomic stability. To ensure the transition from the COVID-19 recession to a strong economic recovery, the government has embarked on a comprehensive public infrastructure program that could provide opportunities for foreign direct investment and public-private partnerships. Insulated wire is the most exported products of Serbia. Serbia's economy is

dominated by the service sector Between the years 2013 to 2021 according to modeled ILO estimate, % of total employment share in services increased from 53% to 57% and it has the major share of employment (World Bank, 2023n). Employment in industry has increased 26% to 29% (World Bank, 2023o), at the same time employment in agriculture has suffered a decline from 21% to 14% (World Bank, 2023p). It can be referred that labor market trends are shifting from agriculture to other business sectors.

When looking at the national income level; GDP per capita, PPP of Serbia had raised from 14.629 US\$ to 23.911 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 63%. Stronger private consumption and gross fixed capital formation were the main drivers of real GDP growth, with net exports' negative growth contribution serving as a small counterbalance.

Serbia is a country with low energy dependence compared to other European countries.

When Serbia's macroeconomic indicators are analyzed:

- GDP of Serbia had been raised from 48,4 billion US\$ to 63,5 billion US\$ from 2013 to 2022 (World Bank, 2023s). GDP increase is calculated as 31%. Serbia GDP rank in the world climbed from 86th to 80th in this 10-year period.
- GDP per capita of Serbia had raised from 6.755 US\$ to 9.394 US\$ from 2013 to 2022. In this 10-year period GDP per capita increase was 39% (World Bank, 2023t).
- Net foreign direct investment had changed from -1.7 billion US\$ to -4.5 million US\$ (World Bank, 2023u). This gigantic 159% negative increase in outflow investment indicate disinvestment / reinvestment abroad in Serbia.
- Taxes on income, profits and capital gains has remained same as 25% of total taxes between 2013 and 2021 (World Bank, 2023w).
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experienced a 28% drop (World Bank, 2023x), in the same period total debt service % of GNI had decreased 9% (World Bank, 2023y).
- From 2013 to 2022, labor force participation rate of total population ages 15+ (according to ILO) had 5% increase from 51% to 56% (World Bank, 2023z) and labor force increased 3% from 3.2m to 3.3m (World Bank, 2023aa). Between this 10-year

period, unemployment rate had also dropped down 13% from 22% to 9% (World Bank, 2023ab).

- Political Stability and Absence of Violence/Terrorism percentile had 3% drop (43% to 40%) between years of 2013 and 2022 (World Bank, 2023ac).

Functioning of Product Markets

When Serbia's exports of goods and services is considered, (% of GDP) in Serbia had raised its proportion from %40 to %63 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period Exports of goods and services (% of GDP) increase was 23%. According to this data, it can be said that Serbia is more focused on value added products such as automobile and tires.

Imports of goods and services (% of GDP) in Serbia had also raised its proportion from %48 to %74 from 2013 to 2022 (World Bank, 2023ae). In this 10-year period Imports of goods and services increase was 26%. This data states Serbia spending vast amount on imports. Top import products are both energy related, which are crude petroleum and electricity. External balance on goods and services has increased from -4 billion US\$ to -6.8 billion US\$ (World Bank, 2023af)

In the light of this information, it can be referred that Serbia's trade deficit gap has been widening for the last 10 years persistent trade deficits and a large public debt are the main factors that consistently slow down the national economy. Other constraints are Serbian products on the international market are being not as competitive as their counterparts and having considerably out-of-date technologic production. Serbia's imports mainly rely on capital goods, while its export structure is heavily formed with labor-intensive products.

Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had declined from 41% to 40% with -1% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had experienced exact same decline from 41% to 40% by negative 1% change (World Bank, 2023ah). It can be referred that financial support opportunities for private enterprises are in stable level with efforts of the economic reform programs.

Functioning of the Financial Market

The National Bank of Serbia regulates the banking sector. The banking sector accounts for 91% of financial sector assets. As of December 2022, the sector consolidated into 21 banks,

with total assets reaching USD 48 billion (approximately 75% of GDP) (U.S. Department of State, 2023f). Foreign banks dominate 84% of the market. The Serbian banking system is stable due to adequate capitalization, liquidity, and profitability. Based on data from the World Bank's World Development Indicators, the level of bank concentration in Serbia was recorded at 47.7% in 2021.

The NBS tries to maintain a de facto fixed exchange rate regime by pegging the dinar against the euro and regularly intervenes in the foreign exchange market. In the first two months of 2022, the NBS sold almost 1 billion euros to support the dinar due to increased energy purchases and short-term panic buying of euros in response to the Russian invasion of Ukraine (U.S. Department of State, 2023f).

State-owned enterprises (SOEs) dominate many sectors of the economy, including energy, transportation, utilities, telecommunications, infrastructure, mining and natural resource extraction (European Commission, 2023f). The government is engaging foreign investors in the privatization process, inviting them to submit bids, participate in auctions and purchase company shares.

Serbia's capital markets are comparatively small and undeveloped. The government bond market is the only segment of the market that operates reasonably well. The capital markets have a limited role in financing the economy. Due to the easy access to reasonably priced bank loans in Serbia's bank-influenced financial system, the private sector only uses government bonds as a source of financing (Bango & Cattarinussi Iacovella, 2019). Domestic credit to private sector by banks (% of GDP) decreased from 41% to 40% (World Bank, 2023ak).

In the same period, bank liquid reserves to bank assets ratio decreased from %30 to %28 (World Bank, 2023al). Serbia's economy is mainly based on the foreign investment businesses and exports. The country has considerably high unemployment rate. The incomplete investment projects in Serbia hinder the generation of new employment opportunities and the reduction of unemployment. To address this issue, the Serbian Government is striving to attract foreign investments, particularly in the electronics, information technology, and automotive sectors. Between the years 2013 and 2021, youth unemployment (ages 15-24) of total labor force decreased from %49 to 25% (World Bank, 2023am). In the same period, labor force participation rate of total population between the ages 15-64 has increased from 63% to 70%

(World Bank, 2023an). Wage and salaried workers of total employment has increased %68 to %77 (World Bank, 2023ao).

In 2019, anti-government protests took place in several Balkan countries, including Serbia, amid allegations of politicians' involvement in corruption and organized crime. In the end of 2023, Thousands protested in Serbia demanding the annulment of parliamentary and local elections that international observers say were unfair. Control of corruption percentile has declined from 46 to 35 between the years 2013 and 2022 (World Bank, 2023ap). Corruption problems persist in Serbia, particularly in the police, judiciary, construction, health and education sectors.

To examine the state of economic status on the producer side, gross value added at basic prices (GVA) had increased from 41 billion US\$ to 52 billion US\$ with 28% increase between the years 2013 and 2022 (World Bank, 2023ar). Households and NPISHs final consumption expenditure (% of GDP) decreased from 73% to 68% between the years 2013 and 2022 (World Bank, 2023as).

2.6.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

Serbia has initiated various programs to develop its education system and improve its quality, ranging from basic to higher education, but improvements in educational attainment are heterogeneous due to regional and socioeconomic differences. Percentage of primary school-age children not attending school was 4% in 2022 (World Bank, 2023at). Government expenditure on education is around 3% of total GDP (World Bank, 2023au). Although Serbia has increased spending on education, investments in this area are far from the desired level.

The other indicator related with the second title is research and development. Serbia is taking important steps to become a competitive force in R&D, but more cooperation and resources are needed to achieve its goals at the international level. 1% of GDP spend on R&D each year in the last 10 years (World Bank, 2023bk). In general, %22 of the firms has spent on R&D in 2013 (World Bank, 2023av). Serbia has 1.727 researchers in R&D per 1 million people in 2021 which is 29% more compared to 2013 (World Bank, 2023bl). Between the years 2013 to 2022, communications & computer were consisting of %52 of service exports and jumped

to 59% (World Bank, 2023aw), their proportion of service imports declined from 43% to 40% (World Bank, 2023ax).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). The 14€ billion 'Serbia 2025' program aims to address existing infrastructure deficiencies and provide new skills to Serbia's working population. As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 68 in 2013 and 9.361 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 2,4 in 2022 (World Bank, 2023bb). Serbia, including railways, roads and wastewater treatment plants is inadequate in many areas, especially infrastructure.

Sectoral and Enterprise Structure

Serbia's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 27% ↘ 23% (World Bank, 2023bd)
- Manufacturing 16% ↘ 13% (World Bank, 2023be)
- Agriculture, forestry, and fishing 7% = 7% (World Bank, 2023bf)
- Services 50% ↗ 52% (World Bank, 2023bg)

Economic Integration with the EU

Weighted average of applied tariff rates across all products has decreased from 4% to 3% in the last 10-year period (World Bank, 2023bh). Serbia does not have any investment screening for incoming foreign investments. Between 2013 and 2022, FDI net outflows was 1% of GDP and it dropped down to 0% (World Bank, 2023bi), in this time FDI net inflows had an increase from 4% to 7% of total GDP (World Bank, 2023bj). The EU is Serbia's most important trading partner and Serbia's exports to the EU tripled from 2009 to 2019, reaching almost €11.3 billion (Delegation of the EU to Serbia, n.d.). The EU has been an important source of investment for Serbia, providing more than €3 billion in grants to support the country's economic reforms and preparation for EU membership. On the other hand, Serbia's EU accession process has been complicated by concerns over Kosovo claims, regional geopolitical tensions, foreign policy alignment with Russia and domestic politics regarding the issues of energy and historical background. Even though normalization with Kosovo is in progress, Serbia is expected to develop more serious determination in their actions (European Commission, 2023f).

2.7. Türkiye

Türkiye's participation to the EU dates back to 1959. With the Ankara Association Agreement, which was signed with the ultimate goal of full membership and the gradual establishment of a Customs Union, the integration process of the relations started and the Customs Union was established on January 1, 1996 in accordance with the Association Council Decision 1/95 (Official Journal of the EC, 1996). Türkiye's accession negotiations with the EU officially started on October 3, 2005. There is currently no progress in the accession negotiations between the EU and Türkiye after the Council decided that the accession negotiations have come to a standstill.

Country	Türkiye
Capital City	Ankara
Total Area	783562 km ²
Population	85.279.553
Candidate Status	December 1999

Table 7: Key Information of Türkiye

Türkiye is one of the first countries in Europe, which applies to the EU. Since the Treaty of Lausanne of 1923, Türkiye has followed a western-based foreign policy philosophy. Founded by Mustafa Kemal Atatürk, the founder of the Republic of Türkiye: Which state wanted to enter civilization but did not turn to the West? His words are the summary and light of Türkiye's views on modernization and approaching the West economically and culturally. Which country desires to be a civilized nation and therefore is not fond of the West?

After the Second World War, European statesmen used coal and steel as tools of peace to ensure peace. Türkiye was one of the first countries to apply for membership to the EEC, which was established in 1951 based on the Schuman Declaration and founded in 1957 by Belgium, Federal Germany, Luxembourg, France, Italy and the Netherlands, based on the free movement of labor, goods and services. One year after the establishment of the EEC, on July 31, 1959, Türkiye applied for partnership and was among the first countries to apply, along with Greece. Türkiye made this application based on Article 238 of the Treaty of Rome. This article regulates the membership relations of states that are not members of the EEC. Article 237 is the article regulating membership and according to this article, any European country can apply to

the EEC. In 1957, it was announced by Fatin Rüştü Zorlu that he would apply for membership. However, inflation and devaluations experienced until this period delayed the partnership application until 1959. Considering the political conditions of that period; Foreign currency dollar reserves were small and per capita national income was 200 dollars. When we examine Türkiye's application reasons, economic reasons come first as the root cause. Ideologically, it is fully compatible with the founding purpose of the EEC. Another reason is the Soviet threat, which poses a security risk. The EEC has been seen as a key authority in resolving security issues.

Türkiye's application was accepted by the EEC and it was proposed to sign the Ankara Agreement, which is planned to be valid until the membership conditions are met. After Türkiye applied for partnership, negotiations lasted for a long time until the Ankara Agreement was signed and eventually entered into force on December 1, 1964. Türkiye's main goal in the negotiations is to sign an agreement based on the customs union, with the ultimate goal of full membership. In the first round of negotiations, Türkiye wanted to be in the decision-making mechanisms, for the customs union to occur automatically after a short preparation, and for a clear date for full membership. When we look at the second round of negotiations, negotiations started again after the halts due to the military coup. Türkiye's objective was to negotiate an agreement similar to the Athens Agreement signed with Greece. Through these negotiations, Türkiye achieved its desired outcome, resulting in the signing of an agreement very similar to the Athens Agreement.

Considering the political goals of the Ankara Agreement; Its political goal is full membership. The mention of full membership in 2 parts of the agreement confirms this. The Ankara agreement is a non-self-executing framework agreement that shows and regulates the road map for full membership. It also aims at the free movement of people, services, capital and goods. A partnership council was established to ensure the applicability of all provisions of the Ankara council.

In 1968, upon the request of Türkiye, the parties started negotiations on the Additional Protocol (Official Journal of the EC, 1977). A transition period began in relations with the Additional Protocol, which was signed on 13 November 1970 and entered into force in 1973. In this period, it was envisaged to both complete free circulation and realize the customs union. Relations frozen during the coup in the early 80s; In 1984, thanks to Türkiye's abandonment of

import substitution policies and privatization policies that accelerated with the effects of Ozalism, a new step was taken in Türkiye's EU relations, and an application for full membership was made on April 14, 1987, before the steps taken in the Ankara Agreement were completed. The Commission announced that it could not accept a new member without completing its internal integration. At the same time, he emphasized that Türkiye should develop in economic, political and social fields. During this period, efforts were accelerated to complete the customs union goal envisaged in the Additional Protocol, and eventually, the Customs Union between Türkiye and the EU came into force on January 1, 1996. Thus, the last period in the Türkiye-EU relationship has begun.

In this period when Türkiye-Greece relations entered a period of softening, another turning point in EU relations was the EU Heads of State and Government (Helsinki Summit) held in Helsinki on 10-11 December 1999. When the 4th, 9th and 12th paragraphs of the summit declaration are examined, it is stated that Türkiye can become a member of the Union under the same criteria that are applied to other candidates. At the same time, peace and human rights issues were also mentioned in the progress process and it was stated that they would be followed closely. As a result of the summit, the Accession Partnership document was prepared and deposited by our government on 26 March 2001. In the following years, the participation partnership document was reviewed and the national program was updated. In the following periods, Türkiye put forth all its will for the goal of full membership and further expanded its existing reforms in areas such as democracy, human rights, rule of law and freedom of expression, and accepted 8 harmonization packages between 2002 and 2004, and 2 constitutional packages in 2001 and 2004 in the Turkish Grand National Assembly. . Another important turning point took place at the Brussels Summit on 17 December 2004. At the summit, it was stated that Türkiye adequately met the political criteria and it was decided to start negotiations on October 3, 2005.

The official commencement of Türkiye's European Union membership negotiations took place during the Intergovernmental Conference held in Luxembourg on 3 October 2005. At that day, a media briefing took place and the Negotiation Framework Document for Türkiye was published. Therefore, the up-and-down relationship between Türkiye and the EU have reached a significant milestone, marking the initiation of a novel phase. Presently, there are 14

chapters under consideration in the Accession Negotiations, with one having been provisionally concluded.

The cyclical waves in Syria after 2015 and the resulting waves of irregular migration to Türkiye created a positive momentum in relations with the EU, cooperation in the management of irregular migration increased high-level communication, and discussions on updating the Customs Union continued positively in the same period. The coup attempt on July 15, 2016 had an adverse effect on the negotiations and a new chapter could not be opened for negotiations. The Varna Summit was held in 2018 to revitalize relations and it was stated that accession negotiations were standstill. Recently, the COVID-19 pandemic and the Russia-Ukraine war are critical points for relations. With Türkiye's mediation role in the war, Türkiye's role in European politics and economy was once again revealed.

2.7.1. The Existence of Functioning Market Economy

Economic Governance

The Grand National Assembly of Türkiye has declared that Türkiye is a republic and elected its first president as Mustafa Kemal Atatürk in 29 October 1923. The main duties and objectives of the Central Bank of Republic of Türkiye include achieving price stability and financial stability, ensuring that regulatory measures are taken regarding the foreign exchange market, and regulating monetary and exchange rate policies. Frequent changes in positions at the Central Bank of Türkiye, the depreciation of the lira, and the high inflation have deeply affected the country's economy. When Türkiye's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from 7% to 72% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 125 in 2013 and increased to 545 with 335% change (World Bank, 2023b).

Despite the negative developments in the inflation rate, Türkiye has partially implemented the Economic and Financial Dialogue. Between 2013 and 2022 government effectiveness rank decreased from 66% to 44% (World Bank, 2023c) and Türkiye has also suffered 24% regulatory quality decrease (67% to 43%) (World Bank, 2023d). While the Gross savings (% of GDP) had 6 % increase (World Bank, 2023e), general government final consumption expenditure share of GDP had a slight drop of %2 from 2013 to 2022 (World Bank, 2023f).

Macroeconomic Stability

The Turkish economy is one of the rare countries that emerged from COVID-19 with growth, despite the unfavorable macroeconomic conjuncture in the last 10 years. Regardless of the devastating effects of the coup attempt on July 15, 2016, the COVID-19, and the Russia invasion on Ukraine, it can be said that there has been a significant increase in the growth rate according to the data of the last 10 years. The impact of expansionary fiscal policy in Türkiye also has a significant impact on growth. The other reason is the financial aid provided by public banks after the COVID-19. When looking at the national income level; GDP per capita, PPP of Türkiye had raised from 22.373 US\$ to 37.445 US\$ from 2013 to 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 67%. While employment increased in the service and industrial sectors to an important degree, there is a decrease considering in line with the total share of agriculture in GDP. Between the years 2013 to 2021 according to modeled ILO estimate, % of total employment share in services increased from 51% to 56% and it has the major share of employment (World Bank, 2023n). Employment in industry has increased 26% to 27% (World Bank, 2023o), at the same time employment in agriculture has suffered a decline from 23% to 17% (World Bank, 2023p).

The persistent robust performance in exports, coupled with subdued imports attributed to the depreciation of the lira, significantly bolstered the positive contribution to the growth of net exports (European Commission, 2022g).

Türkiye is dependent on foreign energy. Diversifying energy globally and regionally and aiming to become the trade center of energy in the region are among Türkiye's most important energy strategies. According to the 2021 Türkiye Energy Policy Outlook Report, Türkiye has experienced impressive growth in renewable resources (especially solar, wind and geothermal) over the last decade, due to a favorable resource supply, robust growth in energy demand, and supportive government policies. Notably, renewable electricity generation has nearly tripled over the past decade, constituting 44% of the total electricity production in 2019. Türkiye has already surpassed the target of 38.8% for electricity production from renewable sources, as outlined in the Eleventh Development Plan (2019-2023). Fuel imports of total merchandise imports has slightly increased from %8 in 2013 to 9% in 2022 (World Bank, 2023r). This information indicates that Türkiye's needs for fuel has become slightly more significant.

When Türkiye's macroeconomic indicators are analyzed between 2013 and 2022:

- GDP of Türkiye had been decreased from 958 billion US\$ to 907 billion US\$ (World Bank, 2023s). GDP decrease is calculated as 5%. Even though Türkiye GDP rank in the world dropped down from 16th to 19th in this 10-year period, Türkiye is still one of the biggest 20 economies in the world.
- GDP per capita of Türkiye had suffered a decline from 12.578 US\$ to 10.675 US\$ (World Bank, 2023t). In this 10-year period GDP per capita decrease was 15%.
- Net foreign direct investment had changed from -9.9 billion US\$ to -8.2 million US\$ (World Bank, 2023u). This 18% increase in outflow investment indicate growing investment activities in Türkiye.
- The amount of total taxes derived from income, profits, and capital gains taxes has increased from 28% to 34% (World Bank, 2023w)
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experienced an 8% drop (World Bank, 2023x), in the same period total debt service % of GNI had increased 1% (World Bank, 2023y).
- Labor force participation rate of total population ages 15+ (according to ILO) had 3% increase from 50% to 53% from 2013 to 2022 (World Bank, 2023z) and labor force increased 20% from 28.6m to 34.3m in the same period (World Bank, 2023aa). Between this 10-year period, unemployment rate had slightly increased 1% from 9% to 10% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had 3% increase (11% to 14%) (World Bank, 2023ac).

Functioning of Product Markets

Türkiye's primary export commodities include automotive products, ready-made clothing and textiles, white goods, as well as agricultural and food products. When Türkiye's exports of goods and services is considered, (% of GDP) in Türkiye had raised its proportion from %24 to %39 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period, exports of goods and services (% of GDP) increase was 15%.

Imports of goods and services (% of GDP) in Türkiye had also raised its proportion from %29 to %43 in the same era (World Bank, 2023ae). Crucial import items for Türkiye encompass

natural gas, oil, automotive products, and electronic devices. In the last 10-year period, imports of goods and services increase was 14%. This data states Türkiye spending more on imports. External balance on goods and services has decreased from -47.3 billion US\$ to -36.3 billion US\$ (World Bank, 2023af). In the light of this information, it can be referred that Türkiye's trade deficit gap has been closing for the last 10 years with the effort of increasing its export with more value-added products.

Türkiye follows liberal foreign trade policy. The liberalization steps that started in 1980 gained momentum with the Customs Union with the EU. Following the establishment of the Customs Union with the EU on January 1, 1996, Türkiye took an important step by removing all customs duties, charges, tariff and non-tariff barriers. Considering Türkiye's foreign trade volume with EU countries, which will be examined in the following sections of the thesis, the importance of liberalization will be revealed once again. Analyzing the liberalization aspects between the years 2013 and 2022; not only domestic credit to private sector (% of GDP) had declined from 60% to 55% with -5% (World Bank, 2023ag), but also monetary sector credit to private sector (% GDP) had experienced a decline from 57% to 48% by negative 9% change (World Bank, 2023ah). It can be referred that private enterprises have more limited financial opportunities compared to 10 years ago.

Functioning of the Financial Market

While prices in Türkiye are generally determined according to free market conditions, prices in sectors such as energy, transportation, and basic consumer goods can be determined by government. Monetary policies implemented by the Central Bank keep inflation under control by monitoring factors such as interest rates and money supply. The Turkish banking sector, especially private banks, is in a healthy state. The assets of state-owned banks account for 38% of total assets in the sector (U.S. Department of State, 2023g). According to data from the World Bank, World Development Indicator, the level of bank concentration in Türkiye was recorded at 46.8% in the year 2021.

The Turkish government is taking various measures to stabilize the value of the Turkish lira. In November 2020, the limit at which banks pay the Turkish lira at maturity for swaps, forwards and options was raised to 30% (U.S. Department of State, 2023g). In addition, exporters are required to repatriate a certain proportion of their foreign exchange earnings. The

Central Bank of the Republic of Türkiye (CBRT) announced in April 2022 that it would receive 40% of foreign exchange earnings from exporters.

As of 2023, sectors with active state-owned enterprises in Türkiye include mining, banking, energy, telecommunications and transportation. The Turkish government has made progress in privatization over the last decade, fully privatizing 210 out of 278 companies (U.S. Department of State, 2023g).

The Turkish banking sector has an important place in the country's economy with its solid legal and institutional structure. Structural and radical reforms has been carried out during the EU integration process. This issue have played an important role in bringing the Turkish banking sector to where it is today. The other vital element is that there is no liquidity problem in Türkiye's banking sector. Today, while the total assets of Turkish banks continue to increase, it is seen that their non-performing loans have decreased proportionally. The system is able to provide more loans than deposits. Bank nonperforming loans to total gross loans has decreased from 3% to 2% from 2013 to 2022 (World Bank, 2023ai). In the same period, domestic credit provided by financial sector (% of GDP) increased from 72% to 74% (World Bank, 2023aj), and domestic credit to private sector by banks (% of GDP) decreased from 57% to 48% (World Bank, 2023ak) and bank liquid reserves to bank assets ratio increased from %17 to %21 (World Bank, 2023al).

The youth unemployment problem, which is a serious concern in the world's major economies, continues to be an obstacle which needs to be overcome in Türkiye. In addition to tax and insurance premium incentives, young entrepreneurs are provided with various grant and loan opportunities through the SME Development Organization of Türkiye (KOSGEB). Years Between 2013 and 2022, youth unemployment (ages 15-24) of total labor force increased from %17 to 19% (World Bank, 2023am). Between 2013 and 2021, labor force participation rate of total population between the ages 15-64 has increased from 54% to 56% (World Bank, 2023an). Wage and salaried workers of total employment has increased %64 to %71 (World Bank, 2023ao).

2.7.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

Türkiye continues to make improvements in its education system with the free distribution of books and tablet PC's, smart board applications for teaching, and web-based learning solutions. Türkiye has taken an important step by adopting the law proposing to increase the compulsory education to 12 years. Percentage of primary school-age children not attending school was 0% in 2022 (World Bank, 2023at).

The other indicator related with the second title is research and development. Between the years 2013 to 2022, communications & computer were consisting of %13 of service exports and dropped to 11% (World Bank, 2023aw), their proportion of service imports declined from 42% to 35% (World Bank, 2023ax). Government expenditure on education is around 3% of total GDP (World Bank, 2023au). High-technology exports consist around %4 of total manufactured exports (World Bank, 2023ay). 1% of GDP spend on R&D each year in the last 10 years (World Bank, 2023bk). In general, %13 of the firms has spent on R&D in 2013 (World Bank, 2023av). Türkiye has 2000 researchers in research and development per 1 million people in 2021 which is 70% more compared to 2013 (World Bank, 2023bl).

Thanks to KOSGEB, Türkiye has made and continues to make significant strides in R&D and technology. There are currently 98 technology development zones, 82 of which are operational. From 51,085 projects completed in these zones, 1,627 patents have been obtained (European Commission, 2023g).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 263 in 2013 and 6.837 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 3,4 in 2022 (World Bank, 2023bb).

Sectoral and Enterprise Structure

Türkiye's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 28% ↗ 32% (World Bank, 2023bd)
- Manufacturing 16% ↗ 22% (World Bank, 2023be)

- Agriculture, forestry, and fishing 7% = 7% (World Bank, 2023bf)
- Services 53% ↘ 51% (World Bank, 2023bg)

Economic Integration with the EU

Türkiye's economic structure takes advantage of EU FDI power. As it is stated in 2022 Türkiye Report, Türkiye stands as the European Union's sixth-largest trading partner, with the EU holding the position of Türkiye's largest trading partner (European Commission, 2022g). As a result of efforts to fulfill the Copenhagen economic criteria for the goal of full membership, and the achieving its responsibilities arising from the establishment of the Customs Union, economic integration between the EU and Türkiye has continued to increase. Besides the Customs Union, the Association Council established a free trade agreement for agricultural products in 1998. Additionally, in 1996, the European Coal and Steel Community and Türkiye signed a distinct free trade agreement concerning coal, iron, and steel products (Delegation of the EU to Türkiye, n.d.).

Türkiye's economic integration with the EU has contributed to a four-fold increase in the country's share of global exports and imports since 1980, and an increase in the trade-to-GDP ratio from 10% to over 50% (Raiser, 2015). The budget allocated to Türkiye from IPA II funds for the 2014-2020 period is set at €3.19 billion. These funds include IPA Rural Development (IPARD) programs, Cross-Border Cooperation with EU Member States and Erasmus+ programs (Delegation of the EU to Türkiye, n.d.).

In addition, the Türkiye-EU Business Dialogue (TEBD) project brings together public and private sector representatives, conducts surveys and workshops with Small and Medium-Sized Enterprises (SMEs) to promote economic relations between Türkiye and the EU. TEBD aims to strengthen trade and economic cooperation between Türkiye and the EU (Türkiye-EU Business Dialogue, 2022).

2.8. Ukraine

Similar to Moldova, since the establishment of Association Agreements (AA), including DCFTA agreements with the EU, Ukraine has been proactively pursuing economic integration and forging a political alliance with the EU since 2014 (European Parliament, 2022b).

Country	Ukraine
Capital City	Kiev
Total Area	603628 km ²
Population	43.079.000
Candidate Status	June 2022

Table 8: Key Information of Ukraine

Ukraine has struggled for independence with Lithuania and Poland for centuries. Between the 16th and 18th centuries it was known as Zaporozhye Sechi. Ukrainian lands, which were under the protection of Russia, Poland and Austria-Hungary for many years, were occupied by Germany during World War II (WW2). In 1986, he experienced the Chernobyl disaster. It left the Soviet Union on August 24, 1991. As the country's relations with the EU gained momentum in 2013, it witnessed clashes between pro-Russian and pro-EU groups. While a pro-Western administration and pro-EU sentiment emerged in the country, Russia declared Crimea to be a part of its country as a result of the referendum held on March 16, 2014.

In the same year, on March 21, 2014, the efforts of the pro-Western government did not go unrewarded, and the political parts of the Association agreement were signed in Brussels. With this development, the Russian population in the Donetsk and Luhansk regions on the border with Ukraine declared their independence from Ukraine. Finally, with the entry of Russian armies into Ukraine on February 24, 2022, Russia started the largest military conflict after the Cold War. With Ukraine's great resistance against these developments and the assistance of the international community, the balances in the world conjuncture began to change. Today, the war has led to the death of tens of thousands of people and the migration of millions of people leaving their homeland. The EU did not remain silent in the face of these developments and Ukraine was granted candidate status on June 23, 2022 on the legal basis of 1994 agreement that forms the legal basis of Ukraine-EU relations.

Looking at Ukraine's economy, the majority of the economy is based on heavy industry. Additionally, it is of great importance in energy trade. Due to the orange revolutions and civil war in 2014, energy imports showed a downward trend. Due to the war started by Russia, the country's economy experienced a serious contraction and physical capital came to an end. With

the end of the war, it is expected that the country's economy will be revived by opening up to foreign investors with the help of the EU.

2.8.1. The Existence of Functioning Market Economy

Economic Governance

Ukraine, which declared its independence from the USSR in 1991, went through difficult times due to political reasons such as Russia's occupation of Crimea and sending troops to Donbas in Eastern Ukraine. On February 2022, Russia Federation has started a war of aggression against Ukraine. Because of those political reasons, the Ukrainian economy has gone through difficult times and continues to do so.

The overarching objective of the National Bank of Ukraine's (NBU) monetary policy is to maintain price stability (National Bank of Ukraine, n.d.). Achieving this involves targeting inflation and employing a floating exchange rate for the hryvnia. The central element of the NBU's monetary policy relies on the key policy rate as its primary tool (National Bank of Ukraine, n.d.). When Ukraine's consumer price inflation rate is examined in the last 10 years, annual consumer prices inflation is increased from -0,2% to 20% (World Bank, 2023a). Due to inflation effect on consumer price index (2010 = 100) was calculated 108 in 2013 and increased to 380 with 251% change (World Bank, 2023b).

Ukraine has also taken steps to increase the transparency of public finances and institutions, particularly by publishing budget information, improving the public procurement system, and introducing asset reporting requirements for public officials (European Commission, 2023h). Between 2013 and 2022 government effectiveness rank increased from 30% to 33% (World Bank, 2023c) and Ukraine has also managed 11% regulatory quality increase (30% to 41%) (World Bank, 2023d). Gross savings (% of GDP) had 9% increase (World Bank, 2023e) and general government final consumption expenditure share of GDP had 19% increase from 2013 to 2022 (World Bank, 2023f).

When the level of economic governance of Ukraine is analyzed between 2013 and 2022, based on some indicators:

- Expense (% of GDP) increased from 39% to 58% (World Bank, 2023g).

- While interest payments share for expense decreased 1% (World Bank, 2023h), interest payments share for revenue has increased 1% (World Bank, 2023i).
- Primary government expenditures as a proportion of original approved budget (%) has increased from 97% to 113% (World Bank, 2023j).
- Annual inflation, GDP deflator has drastically increased from 4% to 34% (World Bank, 2023k).
- Central government debt (% of GDP) had increased from 36% to 59% between the years 2013 and 2020 (World Bank, 2023l).
- Total reserves minus gold have a 43% growth from 18,8 billion US\$ to 26,9 billion US\$ (World Bank, 2023m).

Macroeconomic Stability

Ukraine's economy is generally based on industry. Ukraine has a chemical and petrochemical industry as well as heavy industry and metallurgical enterprises. Donbas is a very important region for Ukrainian industry and exports, since it has rich coal and iron reserves.

The population decline due to declining birth rates and intense immigration has diminished the total population of Ukraine. As the total population decreased, employment rates decreased as well. Between the years 2013 to 2021 according to modeled ILO estimate, % of total employment share in services increased from 58% to 61% and it has the major share of employment (World Bank, 2023n). Employment in industry has decreased 26% to 24% (World Bank, 2023o). Employment in agriculture had also a decrease from 16% to 15% (World Bank, 2023p).

Ukraine, whose economy could not fully recover after the COVID-19 pandemic, experienced a serious decline in terms of growth. The national income level; GDP per capita, PPP of Ukraine had accounted as 12.675 US\$ in 2022 (World Bank, 2023q). In this 10-year period GDP per capita, PPP increase was 14%. Population displacement, disruptions in the supply chain, inflation pressures and land losses due to war have caused serious decreases in consumption, investment and export levels in 2022.

Ukraine is known as a major player in nuclear energy production. The country uses nuclear energy as one of the main sources for electricity generation. However, energy trade was negatively affected due to the political problems in the country. Fuel imports of total

merchandise imports has decreased from 28% in 2013 to 23% in 2022 (World Bank, 2023r). This information indicates that Ukraine's needs for fuel has become less significant.

When Ukraine's macroeconomic indicators are analyzed between 2013 and 2022:

- GDP of Ukraine had been decreased from 191 billion US\$ to 161 billion US\$ (World Bank, 2023s). GDP decrease is calculated as 16%. Ukraine GDP rank in the world dropped from 57th to 59th in this 10-year period.
- GDP per capita of Ukraine had an 8% increase from 4.188 US\$ to 4.534 US\$ (World Bank, 2023t).
- Net foreign direct investment had changed from -4.1 billion US\$ to -0.2 billion US\$ (World Bank, 2023u). This negative 95% decrease in outflow investment indicate high investment activities in Ukraine.
- Real interest rate has decreased from 12% (2013) to -12% (2022) (World Bank, 2023v). This also shows that nominal rate is 12% lower than the rate of inflation. According to this data, people who keep their money in the bank will have a negative return after inflation.
- Taxes on income, profits and capital gains of total taxes has increased from 24% to 30% (World Bank, 2023w)
- For the last 10 years period, Total debt service % of exports of goods, services and primary income experienced a 24% drop (World Bank, 2023x), in the same period total debt service % of GNI had also decreased 13% (World Bank, 2023y).
- Years between 2013 and 2022, labor force participation rate of total population ages 15+ (according to ILO) had 1% decrease from 56% to 55% (World Bank, 2023z) and labor force decreased 7% from 21.8m to 20.3m (World Bank, 2023aa). In this 10-year period, unemployment rate had an 3% increase from 7% to 10% (World Bank, 2023ab).
- Political Stability and Absence of Violence/Terrorism percentile had 15% decrease from 21% to 6% (World Bank, 2023ac), which indicates quite unstable condition of the political situation and the ongoing war effect.

Functioning of Product Markets

Low investment levels are a consequence of shortcomings in the business environment. Ukraine's competitiveness is compromised, mainly attributed to weak institutions, the

dominance of market players, and an ineffective anti-monopoly policy (European Commission, 2023h).

Grains, iron-steel and animal-vegetable oils stand out in Ukrainian exports. In imports, the energy sector, machinery and automotive are the main areas. When Ukraine's exports of goods and services is considered, (% of GDP) in Ukraine had reduced its proportion from %43 to %35 from 2013 to 2022 (World Bank, 2023ad). In this 10-year period exports of goods and services (% of GDP) decrease was 8%.

Authorities lifted some regulatory requirements for the martial law enforcement period to permit companies to function amid the war and moved forward with a series of broader reforms (European Commission, 2023h). Imports of goods and services (% of GDP) in Ukraine had raised its proportion from %51 to %52 in the same era (World Bank, 2023ae). In the last 10-year period Imports of goods and services increase was 1%. This data states Ukraine spending more on imports. External balance on goods and services has changed from -15.6 billion US\$ to -27 billion US\$ (World Bank, 2023af).

The Ukrainian government has taken serious steps towards privatization from past to present. On the one hand, they wanted to save some banks that were on the verge of bankruptcy through privatization, and on the other hand, they wanted to bring the country's economy closer to EU standards thanks to privatization moves. Domestic credit to private sector (% of GDP) had declined from 71% to 23% with 48% (World Bank, 2023ag). On the other hand, monetary sector credit to private sector (% GDP) had experienced a decline from 57% to 18% by 39% change (World Bank, 2023ah). It can be referred that private enterprises have limited financial opportunities compared to 10 years ago. The biggest reason behind this is undoubtedly political instability.

Functioning of the Financial Market

The banking sector in Ukraine continued to operate stably in 2022 despite the Russian invasion and attacks on energy infrastructure (European Commission, 2023h). Banks returned to network operations in the liberated regions, but the number of operating banks fell from 71 to 67 in 2022, with the NBU declaring four banks insolvent (U.S. Department of State, 2023h). The share of state-owned banks increased to 50.6% of the sector's net assets, up 3.9% in 2022

(U.S. Department of State, 2023h). Based on data from the World Bank's World Development Indicators, the level of bank concentration in Ukraine was recorded at 63.6% in 2021.

Foreign exchange and investment metals are traded on the Ukrainian FX market. While Ukrainian companies already have funds available in the relevant foreign currency for cross-border payments, buying foreign currency on the Ukrainian FX market is prohibited (U.S. Department of State, 2023h).

The number of state-owned enterprises is 3,358, but 1,700 of them are no longer in operation. SOEs operate in areas such as energy, machinery manufacturing and infrastructure. Some companies have significant environmental problems, legal issues or oligarchs as minority owners (U.S. Department of State, 2023h).

Despite the surge in the already elevated non-performing loans during the conflict, financial stability was preserved due to the swift policy measures implemented by the NBU (European Commission, 2023h). Bank nonperforming loans to total gross loans has increased from 16% to 38% from 2013 to 2022 (World Bank, 2023ai). In the same period, domestic credit provided by financial sector (% of GDP) decreased from 91% to 50% (World Bank, 2023aj), and domestic credit to private sector by banks (% of GDP) had also decreased from 56% to 18% (World Bank, 2023ak) and bank liquid reserves to bank assets ratio increased from %7 to %42 (World Bank, 2023al).

The Ukrainian labor market is in a difficult situation due to the lack of skills of employees and the low level of education of young people. Years Between 2013 and 2022, youth unemployment (ages 15-24) of total labor force increased from %18 to 19% (World Bank, 2023am). Between 2013 and 2022, employment participation rate of total population between the ages 15-64 has remained same level which is 67% (World Bank, 2023an). Wage and salaried workers of total employment has increased %81 to %85 (World Bank, 2023ao).

Ukraine is a transition economy rather than a free market economy. Industrial activities are quite costly and most of the equipment and machines used in production are worn out. Corruption, one of the biggest problems of the Ukrainian economy, continues to dominate the country even though the rates have decreased. Control of corruption percentile has increased from 11 to 29 between the years 2013 and 2022 (World Bank, 2023ap).

To examine the state of economic status on the producer side, gross value added at basic prices (GVA) had decreased from 167 billion US\$ to 142 billion US\$ with -15% between the years 2013 and 2022 (World Bank, 2023ar). Households and NPISHs final consumption expenditure (% of GDP) decreased from 73% to 66% between the years 2013 and 2022 (World Bank, 2023as).

2.8.2. The Capacity to Cope with Competitive Pressure and the Market Forces within the Union

Although access to education is easy in Ukraine, the opportunity to find a job after higher education is low. The main reason for this can be seen as the quality of education. Ratio of children out of school of primary school age was 16% in 2022 (World Bank, 2023at).

Ukraine's physical infrastructure reflects a persistent lack of investment in the years preceding the war. It will require significant funding to support recovery and stimulate economic growth, according to 2023 Report. Between the years 2013 to 2022, communications & computer were consisting of %38 of service exports and increased to 71% (World Bank, 2023aw), their proportion of service imports decreased from 32% to 17% (World Bank, 2023ax). Government expenditure on education is around 6% of total GDP (World Bank, 2023au). High-technology exports consist around %6 of total manufactured exports (World Bank, 2023ay). Less than 1 % of GDP spend on R&D each year in the last 10 years (World Bank, 2023bk). In general, %6 of the firms has spent on R&D in 2013 (World Bank, 2023av). Ukraine has 587 researchers in R&D per 1 million people in 2021 which is 49% less compared to 2013 (World Bank, 2023bl).

From the physical capital and quality of infrastructure perspective, all rural and urban population has access to electricity (World Bank, 2023az). As it mentioned in the World Bank Data sources, secure Internet servers (per 1 million people) was calculated 54 in 2013 and 8.952 in 2020 data (World Bank, 2023ba). Quality of trade and transport-related infrastructure (1=low to 5=high) is measured 2,4 in 2022 (World Bank, 2023bb).

Sectoral and Enterprise Structure

Ukraine's leading sector (value added) % of GDP share changes from 2013 to 2022 are;

- Industry (including construction) 22% ↘ 19% (World Bank, 2023bd)

- Manufacturing 11% ↘ 8% (World Bank, 2023be)
- Agriculture, forestry, and fishing 9% ↘ 8% (World Bank, 2023bf)
- Services 57% ↗ 61% (World Bank, 2023bg)

Economic Integration with the EU

The Ukrainian economy, which experienced a contraction in the context of foreign openness in the pre-war periods, started to develop its economic cooperation with the EU that has been facilitated by the Association Agreement. The EU, which provided financial aid to support the Ukrainian economy during the war period, stated that it would continue to support the country no matter how long the war lasted, signaling that economic integration would make progress.

Thanks to the temporary abolishment of the tariffs since the beginning of the war, the agreement on road transport, coupled with the successful implementation of logistics solidarity routes, has advanced trade integration with the EU. In 2022, 39% of Ukrainian exports are destined for the EU, while approximately half of Ukrainian imports originate from the EU (European Commission, 2023h).

3. COMPARING THE PERFORMANCE OF THE CANDIDATE COUNTRIES REGARDING THE COPENHAGEN ECONOMIC CRITERIA

The purpose of this section is to observe changes in the performance of candidate countries from 2013 to 2022 regarding on Copenhagen economic criteria, examine how their economies were affected by the process of harmonization with the EU following their candidacy, and evaluate the economic disparities between Türkiye and other candidate countries holistically. The examination focuses on indicators extracted from country reports published by the European Commission, which are linked to the Copenhagen economic criteria. Out of over 60 indicators available on the World Bank, World Development Indicator, the analysis is based on 12 indicators that offer consistent and reliable data for each of the 8 countries between 2013 and 2022, providing a comprehensive macroeconomic comparison. Data were sourced from Eurostat and the World Bank, and the economies of EU candidate countries were meticulously scrutinized and compared based on these indicators.

The selection rationale for these indicators, along with their significance and relevance to fulfilling the Copenhagen economic criteria, is presented below:

- **GDP Comparison of Candidate Countries:** The comparison of GDP among candidate countries holds significant importance within the framework of the Copenhagen Economic Criteria, reflecting the stability and competitiveness of their respective economies. This comparison serves as a vital metric, offering valuable insights into the size and overall performance of these economies. Understanding the GDP disparities among candidate countries is crucial for assessing their readiness to align with EU economic standards and regulations. Moreover, a comprehensive analysis of GDP data enables policymakers to identify areas for improvement and formulate effective economic policies to enhance competitiveness and ensure sustainable growth.
- **GDP Growth of Candidate Countries:** The GDP growth of candidate countries is a critical component of the Copenhagen Economic Criteria, as it signifies the ability to maintain continuous and sustainable economic growth. This growth is essential for achieving macroeconomic stability, as it indicates a healthy and expanding economy. Stable

GDP growth is a key indicator of economic performance, reflecting the country's capacity to create jobs, increase incomes, and improve living standards. Without stable growth, it is challenging to achieve macroeconomic stability, which is crucial for long-term economic development and integration into the EU. Therefore, continuous and sustainable GDP growth is fundamental for meeting the Copenhagen Economic Criteria and ensuring the overall economic well-being of candidate countries.

- **GDP Per Capita (USD) Comparison of Candidate Countries:** Comparing the GDP per capita (USD) among candidate countries is crucial, specifically in terms of enhancing the economy to improve living standards and align with EU levels is a key aspect of the Copenhagen criteria, demonstrating the candidate countries' readiness to integrate into the EU's single market and compete effectively within it. Therefore, comparing GDP per capita helps to evaluate the progress of candidate countries in achieving economic development and meeting the criteria for EU membership.
- **Exports of Goods and Services Comparison of Candidate Countries:** The comparison of exports of goods and services among candidate countries is crucial for assessing their ability to cope with competitive pressure and market forces within the EU, as outlined in the Copenhagen economic criteria. A country's export level is pivotal for maintaining an open and competitive economy. Increasing trade potential and diversifying exports are key strategies that can expedite compliance with the criteria. By enhancing their export capabilities, candidate countries can strengthen their economies, promote economic growth, and improve their competitiveness in the EU market.
- **Imports of Goods and Services Comparison of Candidate Countries:** Similarly, comparing imports of goods and services among candidate countries is essential for evaluating their ability to cope with competitive pressure and market forces within the EU, as stipulated by the Copenhagen economic criteria. A balanced foreign trade policy is crucial for the economy, as it helps to avoid excessive dependence on specific imports and reduces vulnerability to external shocks. Diversifying imports and reducing external dependencies are important measures that can enhance compliance with the criteria. By diversifying their import sources and reducing dependencies, candidate countries can improve their economic resilience and competitiveness in the EU market.

- **FDI Comparison of Candidate Countries:** Comparing foreign direct investments (FDI) among candidate countries is essential for evaluating their compliance with the Copenhagen economic criteria, particularly in terms of their ability to attract investments and gain investor confidence. Having an economy open to investments and attracting FDI are significant principles outlined in the criteria. Increasing the capacity to attract FDI can improve compliance with the criteria because FDI contributes to economic growth, job creation, technology transfer, and market integration. Moreover, FDI can enhance the competitiveness of candidate countries by improving their infrastructure, skills, and productivity. Therefore, comparing FDI levels and policies among candidate countries can provide insights into their readiness to integrate into the EU's single market and cope with competitive pressure and market forces.
- **Inflation, Consumer Prices (annual %):** Ensuring price stability and controlling inflation are important for enhancing compliance with the functioning market economy of the criteria, as it fosters confidence among consumers and businesses, supports sustainable economic growth, and facilitates efficient allocation of resources. Adherence to theory demonstrates a candidate country's commitment to sound economic policies and its readiness to integrate into the EU's single market.
- **Real Interest Rate (%):** A sustainable financial structure is crucial according to the functioning market economy. Controlling real interest which are adjusted for inflation, is a key factor in ensuring financial stability. A financial stability supports investment and enhances the competitiveness of the candidate country.
- **Unemployment, Consumer Prices (annual %):** Adopting policies to reduce unemployment and controlling unemployment rates can enhance compliance with the Copenhagen economic criteria. Aiming to reduce unemployment rates not only contributes to social stability but also enhances the functioning of a market economy. High unemployment rates can lead to social and economic challenges, including reduced consumer confidence and lower demand, which can impact price stability.
- **Government Effectiveness Rate:** Providing good governance and effective public services will serve for a credible and safe competitive environment that can enhance compliance with the criteria for functioning market economy. Effective public services, such as

healthcare, education, and infrastructure, are vital instruments to support economic development and enhance competitiveness of the candidate country.

- **Political Stability and Absence of Violence/Terrorism:** Contributing to political stability and preventing violence/terrorism are important for the stability of the economy and for the attraction of investments. Political stability provides the foundation for sustainable economic growth, development by creating a conducive environment for business activities. Furthermore, political stability is significant for implementing economic reforms effectively. Political unrest and security threats can disrupt economic activities and undermine confidence in the economy.
- **Regulatory Quality:** Having a transparent and fair regulatory framework and improving regulatory quality is crucial for the economy to cope with competitive market forces within the EU according to the Copenhagen economic criteria since the standards will be applied and controlled by law. A transparent and fair regulatory framework not only promotes a level playing field for businesses but also enhances investor confidence. It demonstrates a commitment to creating a business-friendly environment that complies with EU standards.

Indicator	Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP (Billion US\$)	Albania	12,8	13,2	11,4	11,9	13,0	15,2	15,4	15,2	17,9	18,9
	Bosnia and Herzegovina	18,2	18,6	16,4	17,1	18,3	20,5	20,5	20,2	23,6	24,5
	Moldova	9,5	9,4	7,8	8,0	9,5	11,3	11,7	11,5	13,7	14,5
	Montenegro	4,5	4,6	4,1	4,4	4,9	5,5	5,5	4,8	5,9	6,2
	North Macedonia	10,8	11,4	10,1	10,7	11,3	12,7	12,6	12,4	14,0	13,6
	Serbia	48,4	47,1	39,7	40,7	44,2	50,6	51,5	53,4	63,1	63,6
	Turkiye	957,8	938,9	864,3	869,7	859,0	779,0	761,0	720,3	819,9	907,1
	Ukraine	190,5	133,5	91,0	93,4	112,1	130,9	153,9	156,6	199,8	160,5
	European Union	15.294,7	15.651,2	13.553,7	13.888,5	14.765,5	15.981,0	15.693,4	15.381,2	17.315,5	16.746,2
	GDP Growth (annual %)	Albania	1%	2%	2%	3%	4%	4%	2%	-3%	9%
Bosnia and Herzegovina		2%	1%	4%	3%	3%	4%	3%	-3%	7%	4%
Moldova		9%	5%	0%	5%	4%	4%	4%	-8%	14%	-5%
Montenegro		4%	2%	3%	3%	5%	5%	4%	-15%	13%	6%
North Macedonia		3%	4%	4%	3%	1%	3%	4%	-6%	6%	2%
Serbia		3%	-2%	2%	3%	2%	4%	4%	-1%	8%	3%
Turkiye		8%	5%	6%	3%	8%	3%	1%	2%	11%	6%
Ukraine		0%	-10%	-10%	2%	2%	3%	3%	-4%	3%	-29%
European Union		0%	2%	2%	2%	3%	2%	2%	-6%	6%	3%
GDP Per Capita (US\$)		Albania	\$4.413	\$4.579	\$3.953	\$4.124	\$4.531	\$5.288	\$5.396	\$5.343	\$6.377
	Bosnia and Herzegovina	\$5.025	\$5.197	\$4.655	\$4.917	\$5.327	\$6.024	\$6.095	\$6.095	\$7.230	\$7.569
	Moldova	\$3.321	\$3.289	\$2.750	\$2.848	\$3.455	\$4.157	\$4.405	\$4.376	\$5.275	\$5.714
	Montenegro	\$7.189	\$7.388	\$6.517	\$7.033	\$7.803	\$8.850	\$8.910	\$7.677	\$9.466	\$10.093
	North Macedonia	\$5.241	\$5.496	\$4.862	\$5.150	\$5.450	\$6.109	\$6.070	\$5.965	\$6.779	\$6.591
	Serbia	\$6.755	\$6.600	\$5.589	\$5.765	\$6.293	\$7.252	\$7.417	\$7.734	\$9.233	\$9.538
	Turkiye	\$12.578	\$12.165	\$11.050	\$10.970	\$10.696	\$9.569	\$9.215	\$8.639	\$9.743	\$10.675
	Ukraine	\$4.188	\$3.105	\$2.125	\$2.188	\$2.638	\$3.097	\$3.661	\$3.752	\$4.828	\$4.534
	European Union	\$34.565	\$35.282	\$30.487	\$31.174	\$33.091	\$35.752	\$35.080	\$34.357	\$38.722	\$37.433

Table 9: Annual Comparison of GDP Indicators of the Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

Indicator	Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Exports of Goods and Services (% of GDP)	Albania	29%	28%	27%	29%	32%	32%	31%	23%	31%	37%
	Bosnia and Herzegovina	34%	34%	35%	36%	40%	42%	40%	34%	42%	48%
	Moldova	32%	32%	32%	33%	33%	31%	31%	28%	31%	41%
	Montenegro	41%	40%	42%	41%	41%	43%	44%	26%	43%	52%
	North Macedonia	43%	48%	49%	51%	55%	60%	62%	58%	65%	75%
	Serbia	40%	42%	45%	49%	50%	50%	51%	48%	55%	64%
	Turkiye	24%	25%	25%	23%	26%	31%	33%	29%	29%	36%
	Ukraine	43%	49%	53%	49%	48%	45%	41%	39%	39%	41%
	European Union	45%	46%	47%	47%	48%	49%	49%	46%	46%	51%
	Albania	47%	47%	45%	46%	47%	45%	45%	37%	37%	45%
	Bosnia and Herzegovina	54%	57%	53%	52%	56%	56%	54%	54%	48%	54%
	Moldova	64%	63%	57%	56%	56%	57%	56%	51%	51%	58%
	Montenegro	61%	60%	61%	63%	64%	67%	65%	61%	61%	62%
	North Macedonia	61%	65%	65%	66%	69%	73%	76%	70%	70%	81%
Imports of Goods and Services (% of GDP)	Serbia	48%	50%	52%	53%	57%	59%	61%	56%	63%	75%
	Turkiye	29%	29%	27%	25%	30%	31%	30%	32%	35%	43%
	Ukraine	51%	52%	55%	56%	56%	54%	49%	40%	42%	52%
	European Union	41%	42%	43%	42%	44%	45%	46%	43%	47%	55%
	Albania	\$1.254	\$1.150	\$990	\$1.044	\$1.023	\$1.204	\$1.201	\$1.070	\$1.219	\$1.441
	Bosnia and Herzegovina	\$313	\$545	\$383	\$313	\$509	\$602	\$448	\$433	\$638	\$645
	Moldova	\$242	\$346	\$226	\$87	\$150	\$294	\$507	\$158	\$391	\$592
	Montenegro	\$446	\$497	\$700	\$227	\$561	\$486	\$418	\$531	\$694	\$873
	North Macedonia	\$402	\$61	\$297	\$549	\$381	\$649	\$550	\$8	\$696	\$870
	Serbia	\$2.059	\$2.000	\$2.343	\$2.355	\$2.895	\$4.072	\$4.269	\$3.486	\$4.600	\$4.593
	Turkiye	\$13.563	\$13.337	\$19.263	\$13.835	\$11.190	\$12.450	\$9.549	\$7.700	\$13.325	\$13.094
	Ukraine	\$4.509	\$847	-\$198	\$4.128	\$3.680	\$4.975	\$5.796	\$304	\$7.954	\$366
	European Union	\$617.107	\$432.596	\$817.291	\$722.627	\$529.599	-\$76.787	\$502.886	\$214.650	\$461.367	\$94.517
	Foreign Direct Investment, Net Inflows (BoP, Million US\$)										

Table 10: Annual Comparison of Export-Import Balance and FDI Indicators of the Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

Indicator	Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Inflation, Consumer Prices (Annual %)	Albania	2%	2%	2%	1%	2%	2%	1%	2%	2%	7%	
	Bosnia and Herzegovina	0%	-1%	-1%	-2%	1%	1%	1%	-1%	2%	14%	
	Moldova	5%	5%	10%	6%	7%	3%	5%	4%	5%	29%	
	Montenegro	2%	-1%	2%	0%	2%	2%	3%	0%	0%	2%	13%
	North Macedonia	3%	0%	0%	0%	1%	1%	1%	1%	1%	3%	14%
	Serbia	8%	2%	1%	1%	3%	2%	2%	2%	2%	4%	12%
	Turkiye	7%	9%	8%	8%	11%	16%	15%	12%	12%	20%	72%
	Ukraine	0%	12%	49%	14%	14%	11%	8%	8%	3%	9%	20%
	European Union	1%	0%	0%	0%	1%	2%	2%	2%	0%	3%	9%
	Albania	10%	6%	7%	7%	5%	4%	5%	5%	5%	2%	-3%
	Bosnia and Herzegovina	7%	6%	4%	4%	3%	1%	1%	1%	3%	-2%	-8%
	Moldova	8%	6%	2%	10%	4%	5%	5%	3%	2%	1%	-6%
Real Interest Rate (%)	Montenegro	7%	8%	7%	3%	3%	3%	4%	6%	1%	-6%	
	North Macedonia	4%	6%	5%	3%	4%	2%	5%	2%	2%	-2%	
	Serbia	7%	8%	5%	4%	2%	2%	1%	-1%	-4%	-4%	
	Turkiye	7%	7%	9%	8%	7%	12%	2%	1%	1%	-6%	-77%
	Ukraine	12%	2%	-12%	2%	-5%	3%	11%	4%	-9%	-12%	
	Albania	16%	18%	17%	15%	14%	12%	11%	13%	13%	12%	
	Bosnia and Herzegovina	27%	28%	28%	25%	21%	18%	16%	15%	15%	14%	
	Moldova	5%	4%	5%	4%	4%	3%	5%	4%	3%	3%	2%
	Montenegro	20%	18%	18%	18%	16%	15%	15%	18%	17%	17%	15%
	North Macedonia	29%	28%	26%	24%	23%	21%	17%	17%	16%	16%	15%
	Serbia	22%	19%	18%	15%	13%	13%	10%	10%	9%	10%	9%
	Turkiye	9%	10%	10%	11%	11%	11%	14%	14%	13%	12%	10%
Ukraine	7%	9%	9%	9%	10%	10%	9%	8%	9%	10%	25%	
European Union	11%	11%	10%	9%	8%	7%	7%	7%	7%	7%	6%	

Table 11: Annual Comparison of Macroeconomic Indicators and Unemployment Rates of Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

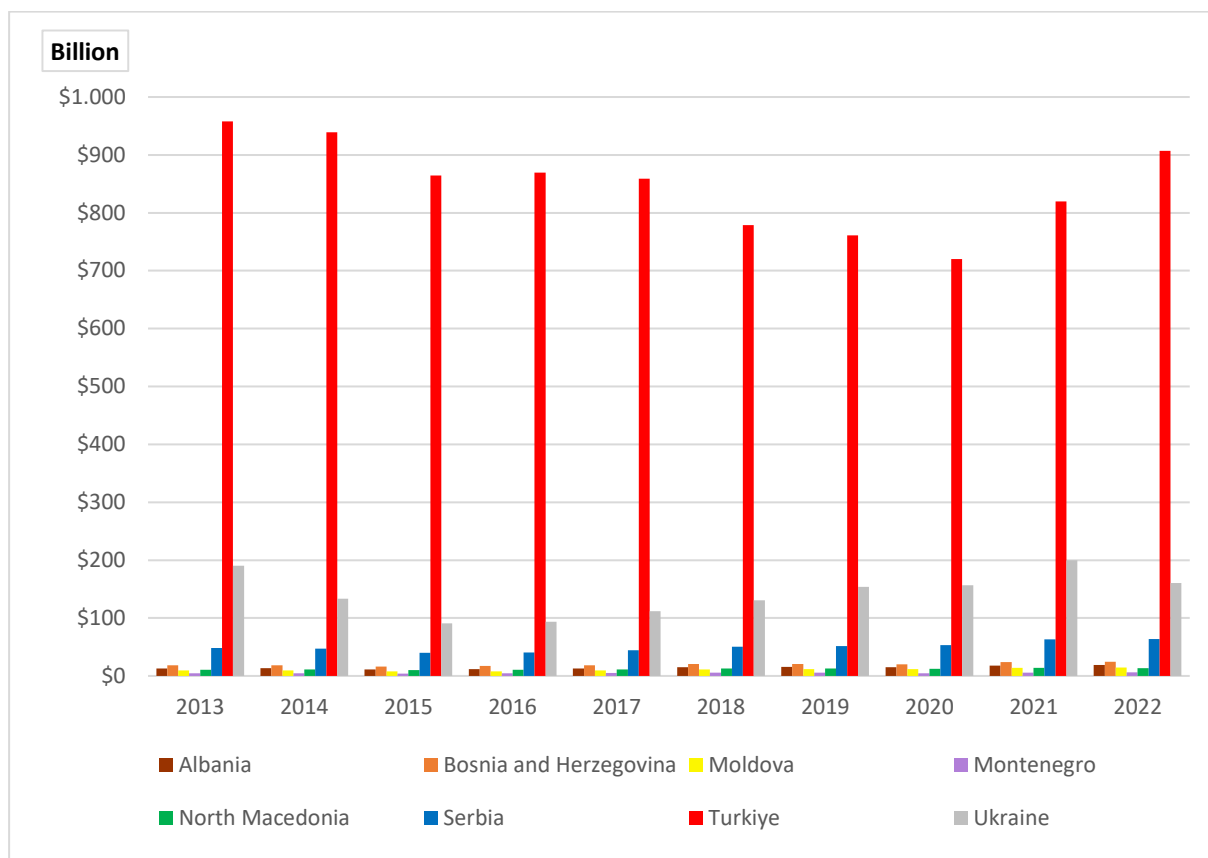
Indicator	Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Government Effectiveness	Albania	44%	53%	54%	55%	58%	55%	49%	48%	51%	57%	
	Bosnia and Herzegovina	40%	34%	31%	36%	33%	26%	27%	12%	13%	13%	
	Moldova	42%	38%	27%	28%	31%	34%	36%	33%	33%	36%	41%
	Montenegro	60%	64%	60%	59%	60%	56%	58%	50%	51%	51%	
	North Macedonia	48%	56%	51%	52%	54%	53%	48%	53%	47%	50%	
	Serbia	47%	56%	53%	51%	57%	54%	52%	51%	51%	53%	57%
	Turkiye	66%	68%	62%	53%	54%	50%	51%	47%	49%	49%	44%
	Ukraine	30%	40%	33%	31%	33%	37%	39%	38%	38%	35%	33%
	Albania	49%	61%	58%	58%	60%	58%	52%	50%	50%	52%	50%
	Bosnia and Herzegovina	34%	45%	32%	31%	32%	32%	29%	31%	31%	31%	30%
Political Stability and Absence of Violence/ Terrorism	Moldova	46%	39%	35%	35%	33%	31%	31%	35%	40%	22%	
	Montenegro	64%	55%	53%	56%	43%	50%	50%	46%	46%	44%	
	North Macedonia	33%	57%	36%	33%	37%	39%	48%	51%	50%	51%	
	Serbia	43%	53%	55%	50%	50%	47%	44%	42%	45%	40%	
	Turkiye	11%	12%	9%	5%	7%	10%	10%	13%	13%	12%	14%
	Ukraine	21%	6%	5%	7%	7%	6%	9%	12%	13%	6%	
	Albania	61%	63%	60%	61%	62%	63%	62%	59%	59%	59%	58%
	Bosnia and Herzegovina	50%	50%	47%	49%	50%	47%	49%	45%	45%	46%	46%
	Moldova	49%	53%	50%	49%	51%	51%	50%	51%	51%	52%	55%
	Montenegro	55%	58%	61%	63%	65%	65%	65%	65%	64%	66%	69%
Regulatory Quality	North Macedonia	60%	66%	65%	66%	70%	70%	66%	65%	65%	67%	
	Serbia	52%	60%	57%	54%	52%	60%	60%	56%	53%	56%	
	Turkiye	67%	66%	63%	61%	56%	55%	52%	50%	48%	43%	
	Ukraine	30%	31%	30%	39%	40%	43%	45%	42%	42%	41%	

Table 12: Annual Comparison of Governance Indicators of the Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

3.1. GDP Current Dollars, GDP Growth Annual (%), GDP Per Capita (Current Dollars)



Graph 1: GDP Comparison of the Candidate Countries
Sources: World Bank, World Development Indicators

GDP data will be utilized in 3 separate sections while comparing the performance of countries in meeting the economic criteria. Positive growth rates have a critical importance in the context of economic criteria as they show the level of economic development and demonstrate sustainable and stable growth.

Based on the data presented Graph 1, Table 13 summarizes the change of growth rates for the EU candidate countries and the EU average.

Country	2013 GDP (Billion \$)	2022 GDP (Billion \$)	Change Rate (%)
Albania	12,8	18,9	48%
Bosnia and Herzegovina	18,2	24,5	35%
Moldova	9,5	14,5	53%
Montenegro	4,5	6,2	40%
North Macedonia	10,8	13,6	25%
Serbia	48,4	63,6	31%
Türkiye	957,8	907,1	-5%
Ukraine	190,5	160,5	-16%
European Union	15.294,7	16.746,2	9%

Table 13: GDP Change Rate of the Candidate Countries

The table was created by the author.

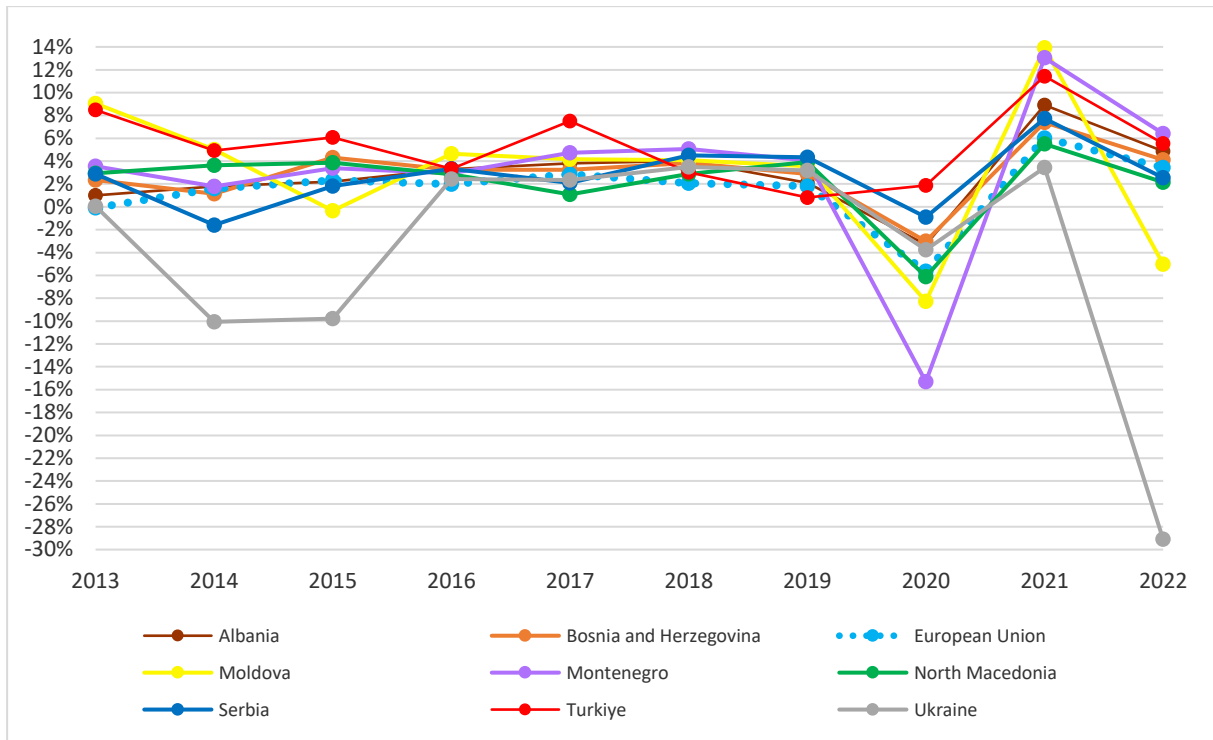
Sources: World Bank, World Development Indicators

Based on the data, the highest growth rate of the countries recorded in 2021. The lowest growth rates were observed in 2013.

In 2021, one of the most important reasons behind the high growth rates is the worldwide economic recovery after COVID-19. With the lifting of travel and curfew restrictions imposed in many countries after the pandemic, businesses and borders have reopened. As a result, consumption started to return to normal levels and there was a significant increase in demand in the service sector. On the other hand, many governments have implemented fiscal stimulus packages to improve the economy in the post-pandemic period. When we examine the high growth rates experienced in 2021 in the context of the banking sector, the central banks of the countries increased the investment capacity of enterprises by keeping interest rates low.

In 2013, when the root causes of low growth rates are analyzed, the deep impact of the 2008 Global Financial Crisis on the EU is a major reason. The high budget deficit, public debt, current account deficit and debt burden in this period had a negative impact on economic growth for a long time. The European Debt Crisis is another reason for the negative figures in 2013. EU candidate countries were deeply affected by the European Debt Crisis due to their heavy dependence on EU investments.

Based on the data on Graph - 1 among EU candidate countries, Türkiye's GDP is more than 3 times the total GDP of 7 countries.



Graph 2: GDP Growth of the Candidate Countries

Sources: World Bank, World Development Indicators

GDP Growth (annual %) data shows the increase or decrease in the value of all goods and services produced by an economy in one year, expressed as a percentage. The annual GDP growth rate shows the change in the size of the economy, i.e. how fast it is expanding or contracting. If the rate is positive, the economy is growing; if it is negative, the economy is shrinking. This is an inflation-adjusted real growth rate and is used to assess the economic performance of a country.

Based on Graph - 2 Türkiye experienced a strong economic recovery after the pandemic but showed more volatility and experienced contraction between 2014 and 2020, unlike other candidate countries. High inflation, the general contraction in the world economy, political instability in the region (Syrian crisis) and the July 15, 2016 coup attempt played a major role in this contraction.

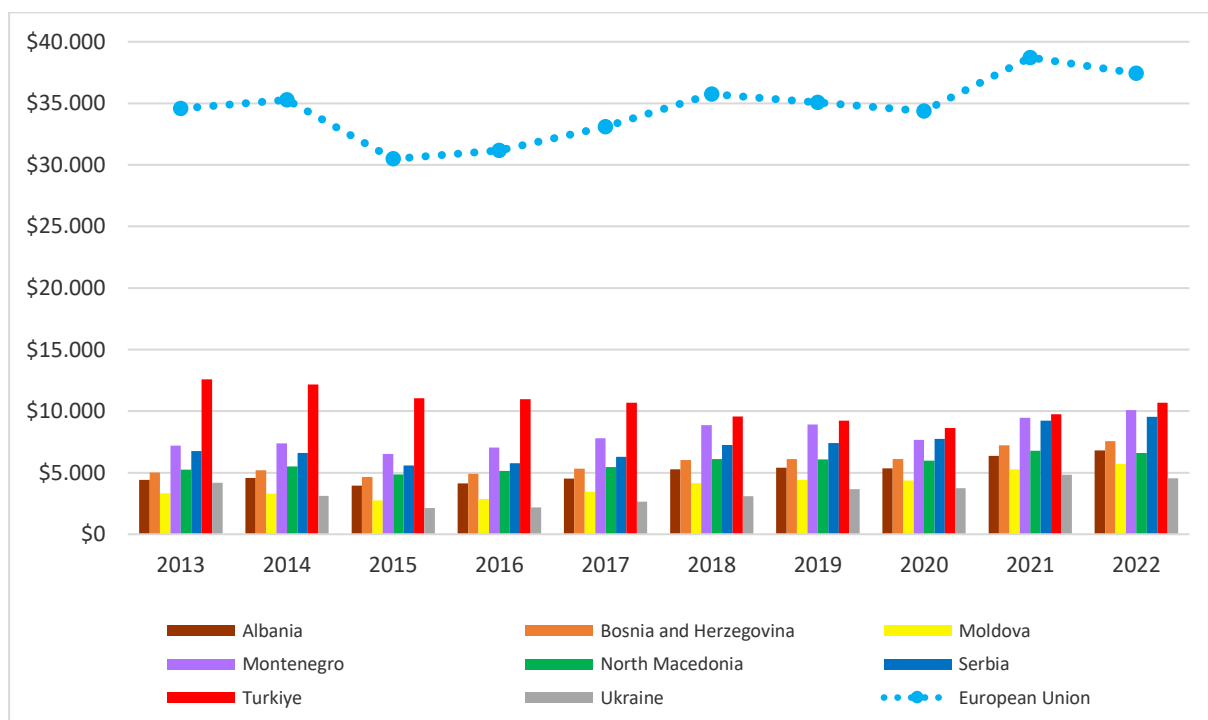
Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)	Difference (%)
Albania	1%	5%	385%	4%
Bosnia and Herzegovina	2%	4%	75%	2%
Moldova	9%	-5%	-155%	-14%
Montenegro	4%	6%	81%	3%
North Macedonia	3%	2%	-27%	-1%
Serbia	3%	3%	-12%	0%
Türkiye	8%	6%	-35%	-3%
Ukraine	0%	-29%	-64142%	-29%
European Union	0%	3%	-4252%	4%

Table 14: GDP Growth Change Rate of the Candidate Countries

The table was created by the author.

Sources: World Bank, World Development Indicators

The growth rates of Albania, Bosnia and Herzegovina, Serbia and Macedonia were in line with each other and almost the same rate. It is very similar to the European Union trend. This can be explained by the interpretation that all Balkan countries show a similar EU trend. Türkiye's growth/contraction patterns are not remarkably similar to other candidate countries. This is due to Türkiye's larger non-EU trade volume compared to other candidate economies. Although Türkiye is not much affected by the EU trend due to the existence of other trade volumes, it should not be forgotten that the EU is Türkiye's largest trading partner.



Graph 3: GDP Per Capita (USD) Comparison of the Candidate Countries

Sources: World Bank, World Development Indicators

Graph 3 analyzes the gross domestic product per capita. Comparing the EU average and the candidate countries, all countries are significantly below the EU average. It can be said that the trends of Türkiye, Serbia and Montenegro are similar to each other. They are generally on an upward trend between 2013 and 2022. When the reasons for the fluctuations experienced at the same time for the three countries with an upward trend are analyzed country-specifically.

1. Türkiye: Increasing inflation rates, Türkiye's strategic location and the direct impact of the developments in its neighboring countries on its economy, the change of management of the Central Bank, which has been repeatedly mentioned in EU reports, and the effect of this situation on the decrease in foreign investors can be shown as the main reasons for the fluctuation.
2. Montenegro: As mentioned in the previous sections of the thesis, Montenegro's economy is mostly dependent on tourism resources. This makes the country's economy externally dependent. The lockdowns during the Covid-19 period negatively affected the country's economy. At the same time, the country was seriously affected by the European Debt Crisis and fluctuations were realized.
3. Serbia: It can be said that this is one of the biggest reasons for the contraction of Serbia, which is affected by the political instability in the Balkans. Having gained candidate status in March 2012, Serbia received financial assistance through various programs, notably IPA incentive package. Thanks to the structural reforms enabled by the EU integration process as well as the support packages it has received, GDP per capita has been on an upward trend in the country despite the fluctuations it has experienced.

When classifying countries in terms of steady increase, it would be appropriate to include Bosnia and Herzegovina, Albania, and North Macedonia in this category.

1. Albania: As a result of a series of market reforms in the country, where the tourism sector is important, steps such as the improvement of education and health services have helped to increase GDP rates steadily.
2. Bosnia and Herzegovina: The country has achieved political stability in recent years and reforms in the transport and energy sectors have contributed to stable growth rates.
3. North Macedonia: Following a long-standing name dispute with Greece, North Macedonia changed its name to North Macedonia on June 12, 2018, taking a serious step towards the EU and removing one of its biggest obstacles. Since being declared a

candidate country in December 2005, the country has taken many steps in terms of structural reforms; as a result, the economic confidence environment has paved the way for sustainable and stable growth.

In terms of fluctuating economies, Moldova and Ukraine have been highly affected by political instability and the security threat posed by Russia in the region. Moldova, whose economy is widely based on agriculture, has one of the lowest income levels among EU candidate countries. The country is particularly dependent on energy imports and is vulnerable to external shocks. The main reasons behind the fluctuation of the Ukrainian economy include the political crisis with Russia. In 2014, the process of political instability started with the annexation of Crimea and continues today with Russia's aggression against Ukrainian territory. This political conjuncture has reduced the investment rates of foreign investors in the country and damaged the confidence environment.

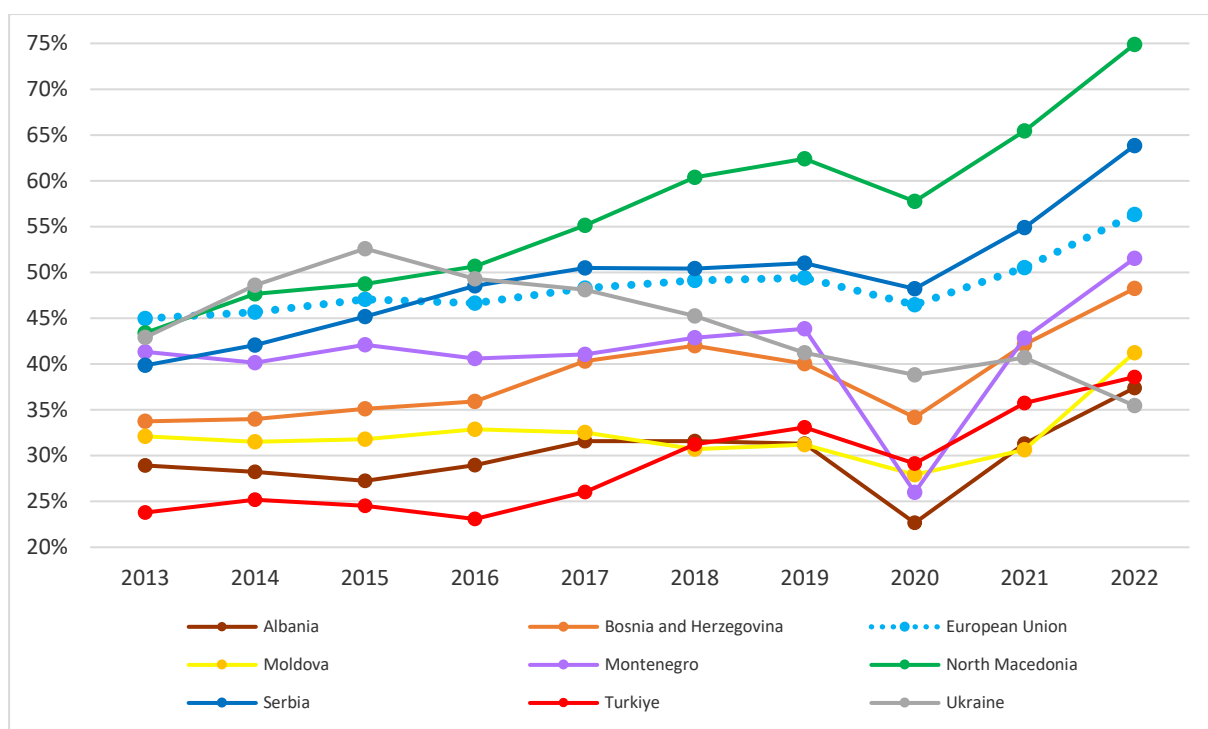
Country	2013 GDP (Billion \$)	2022 GDP (Billion \$)	Rate of Change (%)
Albania	4.413	6.810	54%
Bosnia and Herzegovina	5.025	7.569	51%
Moldova	3.321	5.714	72%
Montenegro	7.189	10.093	40%
North Macedonia	5.241	6.591	26%
Serbia	6.755	9.538	41%
Türkiye	12.578	10.675	-15%
Ukraine	4.188	4.534	8%
European Union	34.565	37.433	8%

Table 15: GDP Per Capita Change Rate of the Candidate Countries

The table was created by the author.

Sources: World Bank, World Development Indicators

3.2.Exports of Goods and Services (% of GDP)



Graph 4: Exports of Goods and Services Comparison of the Candidate Countries

Sources: World Bank, World Development Indicators

Graph 4 includes the percentage of exports of EU candidate countries relative to their GDP, along with the EU average.

There was a sharp decline worldwide in 2020 due to the impact of the COVID-19 pandemic. The decrease in global demand, disruptions in the supply chain due to border closures and travel obstacles have caused a decline, especially in service exports and tourism.

The country that attracted the most attention in the chart was North Macedonia, with its high and stable rates after 2020. The following country is Serbia. Considering the economic size of these two countries, it can be said that they are relatively smaller than other countries. It is normal for exports to be lower compared to GDP. Due to this feature of the EU, which has one of the largest domestic markets in the world, its trade is mostly based on EU countries. For this reason, the level of export rate is considered normal.

Country	2013 Export (%GDP)	2022 Export (%GDP)	Change Rate (%)
Albania	29%	37%	29%
Bosnia and Herzegovina	34%	48%	43%
Moldova	32%	41%	29%
Montenegro	41%	52%	25%
North Macedonia	43%	75%	73%
Serbia	40%	64%	60%
Türkiye	24%	39%	62%
Ukraine	43%	35%	-17%
European Union	45%	56%	25%

Table 16: Export Percentage Change Rate of the Candidate Countries

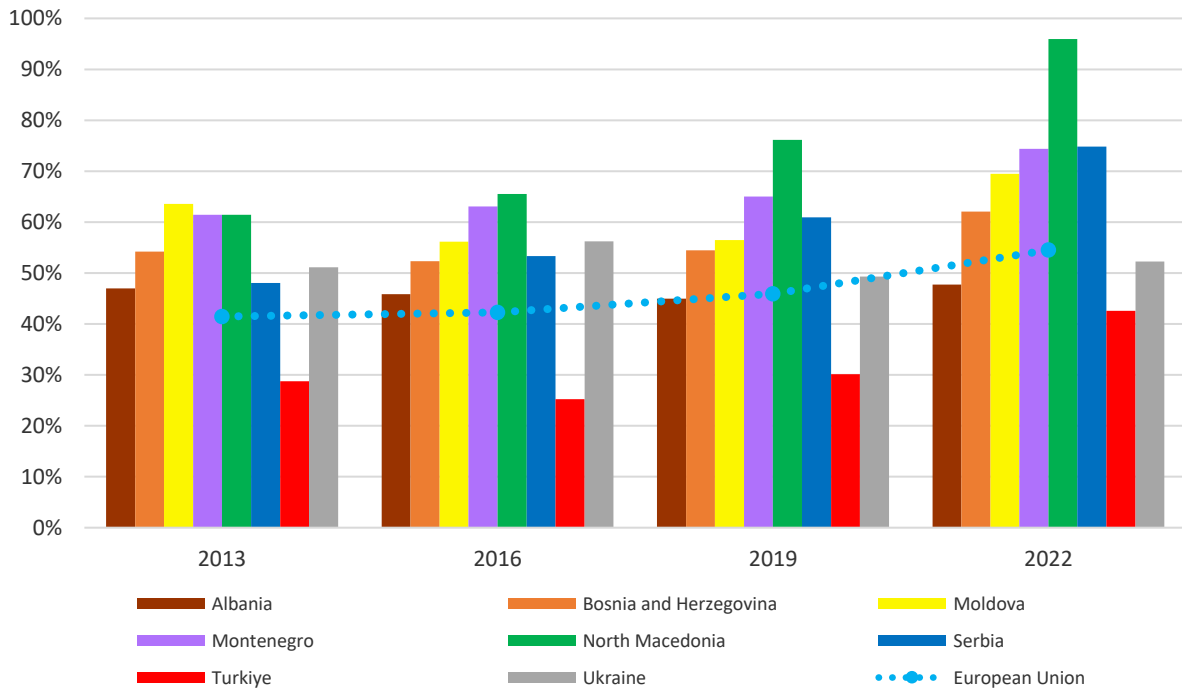
The table was created by the author.

Sources: World Bank, World Development Indicators

An increase has been observed in the export levels of all candidate countries, except Ukraine, in the last 10 years. When we look at the root causes of this increase, it can be said that the investment funds received from the EU, participation support funds and trade agreements with EU countries play an important role.

Türkiye and the EU have a Customs Union agreement. Since Türkiye has access to the EU market free of quotas and tariffs with the Customs Union, it also attracts foreign investments. Considering the size of Türkiye's GDP quoted in the Graph-3 review, it is obvious that its export volume is high compared to other candidate countries.

3.3. Imports of Goods and Services (% of GDP)



Graph 5: Imports of Goods and Services Comparison of the Candidate Countries

Sources: World Bank, World Development Indicators

When the share of imports in GDP is examined, it can be said that Türkiye is lower than other candidate countries. The main reasons for the low import level are the implementation of policies that encourage domestic production in Türkiye from time to time, the fact that it has a higher industrial production capacity compared to other candidate countries, and the increase in the cost of imported products due to the recent fluctuations in the Turkish Lira.

Serbia has started a strategy of giving importance to imported products in the field of information technologies and automation, and this is also reflected in the level of imports. When Montenegro's import volume is examined, the country's imports of renewable energy constitute the majority of this volume due to its dependence on foreign sources of energy. Moldova is further integrated into the EU market within the framework of a DCFTA agreement with the European Union. This process have contributed to the increases observed in Moldova's import rates throughout the 2010s, as the country began to import more products from the EU.

Country	2013 Import (%GDP)	2022 Import (%GDP)	Change Rate (%)
Albania	47%	48%	2%
Bosnia and Herzegovina	54%	62%	14%
Moldova	64%	69%	9%
Montenegro	61%	74%	21%
North Macedonia	61%	96%	56%
Serbia	48%	75%	56%
Türkiye	29%	43%	48%
Ukraine	51%	52%	2%
European Union	41%	55%	31%

Table 17: Import Percentage Change Rate of the Candidate Countries

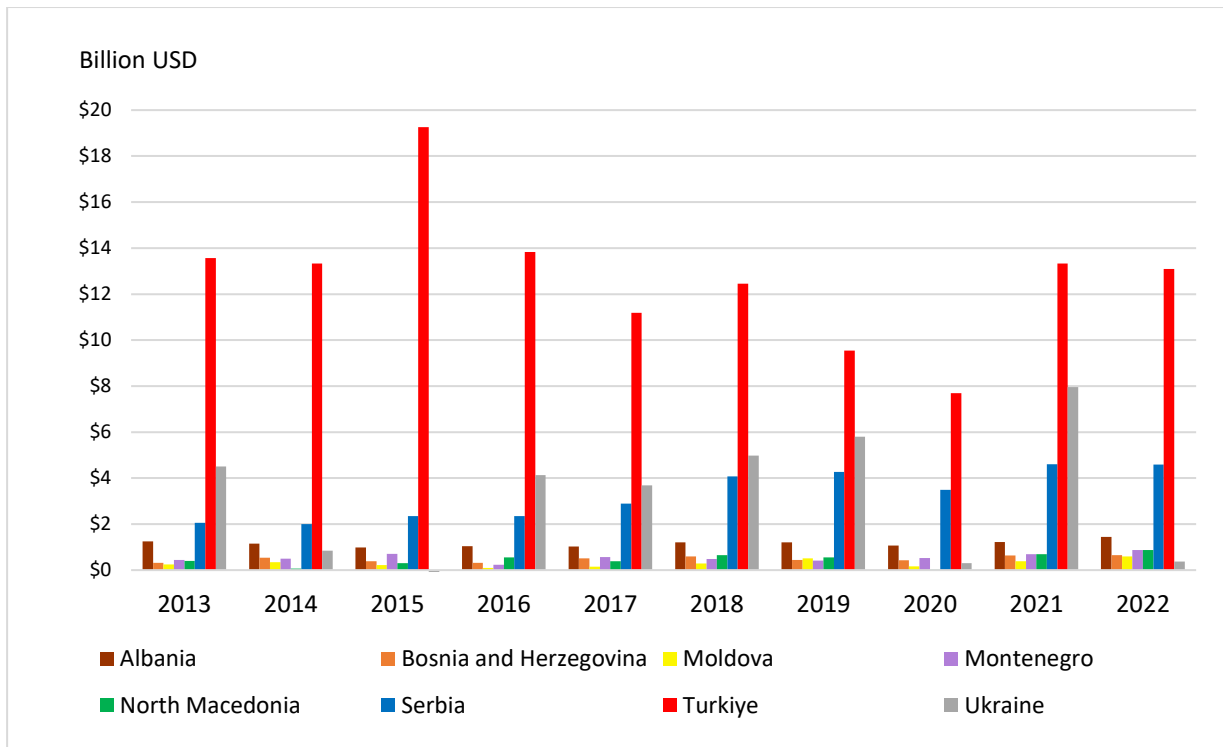
The table was created by the author.

Sources: World Bank, World Development Indicators

When Türkiye's import level is analyzed, it is seen that there is an increase in 2022. The increasing role of medical supplies, devices, and materials during Covid 19 is one of the main reasons for this increase. Due to Türkiye's strong production capacity, it is normal that the import rate is low and less dependent on imports. Türkiye is larger in terms of GDP and more economically diversified compared to the other candidate countries. When the economies of the other candidate countries are analyzed with import data, they have smaller domestic markets and limited production capacity compared to Türkiye.

When the import graph is analyzed, it is noteworthy that although Türkiye's import rate is low, it has increased over the years. When the reasons for this increase are considered with the conjuncture of the country, the increase in consumer demand, especially in the field of technology, and energy imports are critical details. The TurkStream project, which includes gas imports from Türkiye, aims to transport Russian natural gas to Türkiye and Southern Europe via the Black Sea. The first line of this project was created to meet Türkiye's natural gas needs and is one of the leading reasons for the increase in import rates over the years.

3.4. Foreign Direct Investment, Net Inflows



Graph 6: FDI Comparison of the Candidate Countries

Sources: World Bank, World Development Indicators

Graph 6 shows the foreign direct investment data between 2013 and 2022 in dollar terms. The general trend of the graph indicates that each country's annual investment has experienced rises and falls in line with the dynamic nature of economic conditions and investments.

Compared to the other candidate countries, Türkiye has by far the highest share. With the highest investment figures in the list, Türkiye's FDI is estimated at USD 13.094 billion in 2022. As previously mentioned in the previous section, Türkiye has the largest economy compared to the candidate countries. In light of this, Türkiye offers a larger consumer market and more job opportunities as a result of larger economies attracting more foreign investment. Another reason why Türkiye has higher FDI rates compared to other candidate countries is its strategic location. Its location offers critical opportunities in terms of access to both western and eastern markets. Türkiye has one of the most liberal legal regimes for FDI among the Organization for Economic Cooperation and Development (OECD) members and is open to foreign investors in various sectors (Lloyds Bank, n.d.). Türkiye has developed various investment incentive programs over the last 10 years, and most recently in the 2021-2023 FDI

Strategy of Türkiye report, it announced advantages for investors such as corporate tax reduction, customs duty exemption, value added tax exemption, interest rate support (Presidency of the Republic of Türkiye, Investment Office, 2021).

Country	2013 FDI (Million \$)	2022 FDI (Million \$)	Change Rate (%)
Albania	1.254	1.441	15%
Bosnia and Herzegovina	313	645	106%
Moldova	242	592	145%
Montenegro	446	873	95%
North Macedonia	402	870	116%
Serbia	2.059	4.593	123%
Türkiye	13.563	13.094	-3%
Ukraine	4.509	366	-92%
European Union	617.107	94.517	-85%

Table 18: FDI Change Rate of the Candidate Countries

The table was created by the author.

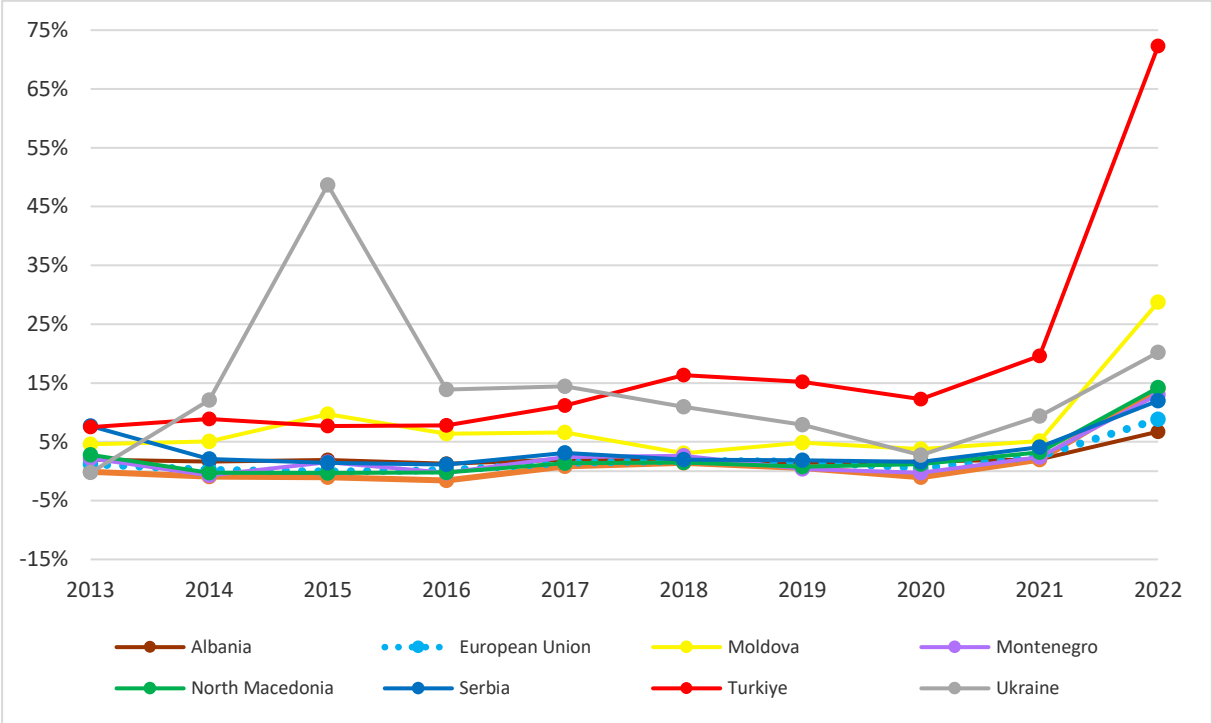
Sources: World Bank, World Development Indicators

Table 18 shows the rates of change in FDI between 2013 and 2022. When the data for the last 10 years are analyzed, the highest increase was realized in Serbia with 123%. Another country with the highest increase is Moldova. When the last 10-year momentum of Türkiye, which has the highest FDI in the graph, is analyzed, it is seen that there has been a slight decline. Another interesting data belongs to the EU. When the FDI rates of the relevant years are considered together with European politics, it would be appropriate to say that Brexit and the COVID-19 pandemic had an impact. Brexit negatively affected both investment flows and trade dynamics between member states. The economic contraction and the reassessment of investments during and after COVID-19 is another critical factor.

Looking at the candidate countries other than Türkiye, which are listed in Table 18, it is observed that there is a positive upward trend in FDI rates in general due to the transformative power of the EU. Promoting political, economic and social reforms in candidate countries within the framework of EU harmonization policies plays an important role. After Türkiye, the highest rate belongs to Serbia. In the case of Serbia, judicial reforms and steps taken to combat corruption and normalization of relations with Kosovo have contributed to the increase in FDI. When the Table 18 is analyzed, Moldova is one of the countries that have experienced a high rate of change in the last 10 years. In 2014, the EU-Moldova Association Agreement increased the country's trade volume and had a positive impact on investments. The realization of

significant investments in the automotive sector, rapid growth in the IT sector and investments in energy projects are among the most important reasons.

3.5. Inflation, Consumer Prices



Graph 7: Inflation, Consumer Prices (annual %)
*Sources: World Bank, World Development Indicators
 International Monetary Fund*

Graph 7, which measures the inflation rate in consumer prices, shows the change between 2013 and 2022. When the inflation averages of the candidate countries and the European Union are examined as a whole, it is understood that there is a general increase, especially in 2022 (reaching 22% in total). Issues such as disruptions in the supply chain during the COVID-19, changing needs of consumers, supporting the economy by increasing government expenditures to provide liquidity to the markets are the main reasons for the increase in inflation due to COVID-19. When the economic recovery process began, the increase in consumer demand in 2022 paved the way for an increase in the general level of prices.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)
Albania	1,9%	6,7%	247%
Bosnia and Herzegovina	-0,1%	14,0%	-15678%
Moldova	4,6%	28,7%	525%
Montenegro	2,2%	13,0%	491%
North Macedonia	2,8%	14,2%	410%
Serbia	7,7%	12,0%	56%
Türkiye	7,5%	72,3%	865%
Ukraine	-0,2%	20,2%	-8547%
European Union	1,2%	8,8%	624%

Table 19: Inflation Change Rate of the Candidate Countries

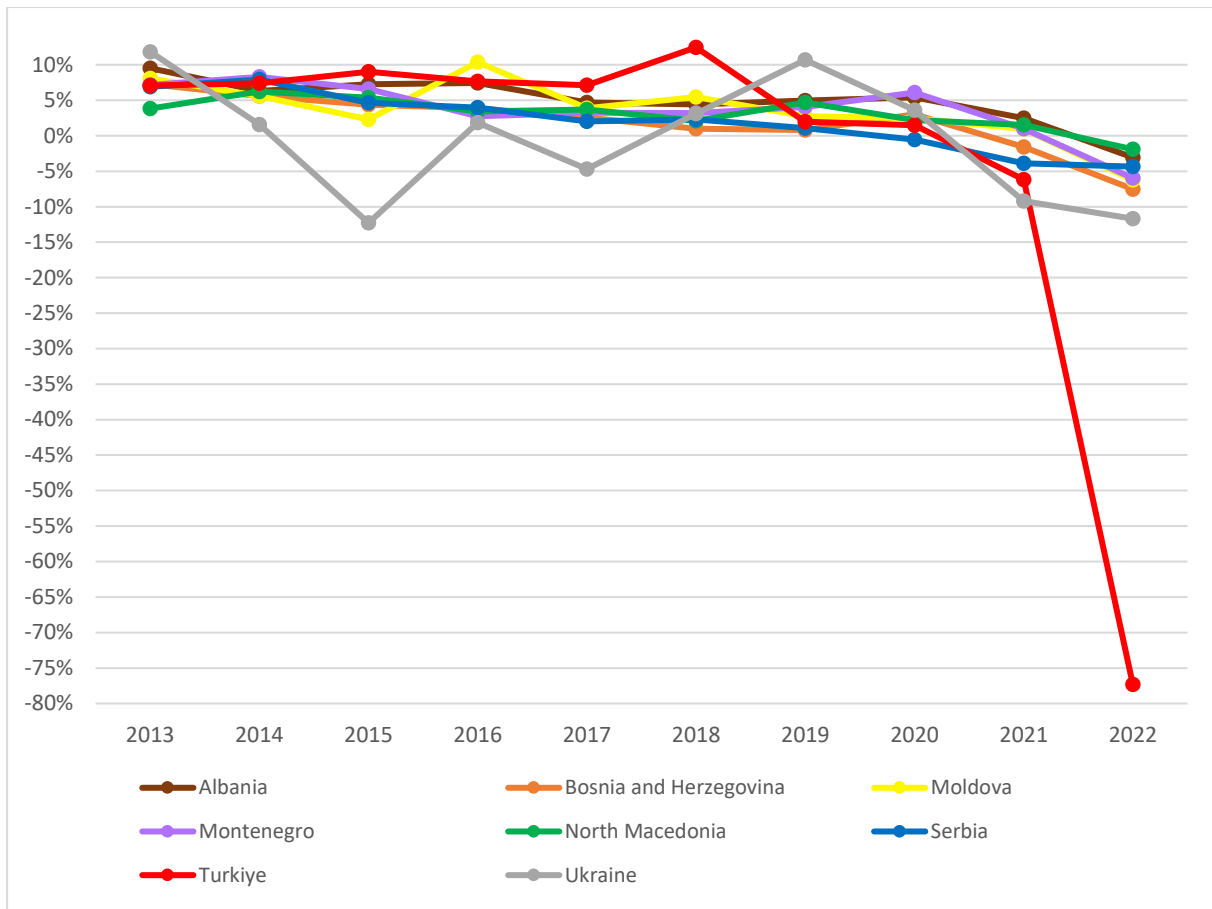
The table was created by the author.

Sources: World Bank, World Development Indicators, International Monetary Fund

When Türkiye's data, especially for the last 2 years, is examined, it is possible to say that inflation has reached high rates. Türkiye's foreign trade deficit and energy costs, which have increased significantly in recent years, are the main reasons. On the other hand, the changes in duties of the Central Bank and the policy implemented in managing interest rates also played an important role in increasing inflationary pressures. On the external factors side, increases in global oil prices were also effective. Other candidate countries are small and open economies, as examined in previous titles. Montenegro's use of the Euro as its currency has played an important role in ensuring price stability and low inflation rates. For Albania, it can be said that the strict policies implemented by the Central Bank played an important role in keeping inflation under control.

One of the primary causes of high inflation is negative interest rates. Türkiye has implemented significant measures to lower inflation rates, including decreasing dollarization, bolstering the lira, and setting limits on interest rates. While these actions produce results in the short term, it would be advantageous to concentrate on reducing negative interest rates, which constitutes the principal causes of high inflation (European Commission, 2023g).

3.6. Real Interest Rate



Graph 8: Real Interest Rate of the Candidate Countries

Sources: World Bank, World Development Indicators
Eurostat

In this graph, nominal interest rates of EU candidate countries are analyzed net of inflation. When real interest rates are analyzed, the general trend of all countries is downward. In some periods, all countries switched to negative rates. Since negative interest rates may create economic imbalances in the long run, they have been frequently emphasized in the reports published by the European Commission. The year in which all candidate countries experienced a sharp decline in real interest rates was 2022. As with other indicators, the COVID-19 pandemic had a serious impact here as well. As the COVID-19 pandemic caused economic contraction around the world, governments and central banks implemented wide-ranging monetary easing policies and lowered interest rates to stimulate the economy. On the other hand, central banks implemented asset purchase programs to improve credit conditions by providing liquidity to the market.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)	Difference (%)
Albania	9,5%	-3,1%	-132%	-13%
Bosnia and Herzegovina	7,3%	-7,5%	-203%	-15%
Moldova	8,1%	-6,3%	-178%	-14%
Montenegro	7,2%	-6,0%	-183%	-13%
North Macedonia	3,8%	-1,9%	-150%	-6%
Serbia	6,9%	-4,4%	-163%	-11%
Türkiye	7,1%	-77,3%	-1194%	-84%
Ukraine	11,8%	-11,7%	-199%	-24%

Table 20: Real Interest Change Rate of the Candidate Countries

The table was created by the author.

Sources: World Bank, World Development Indicators

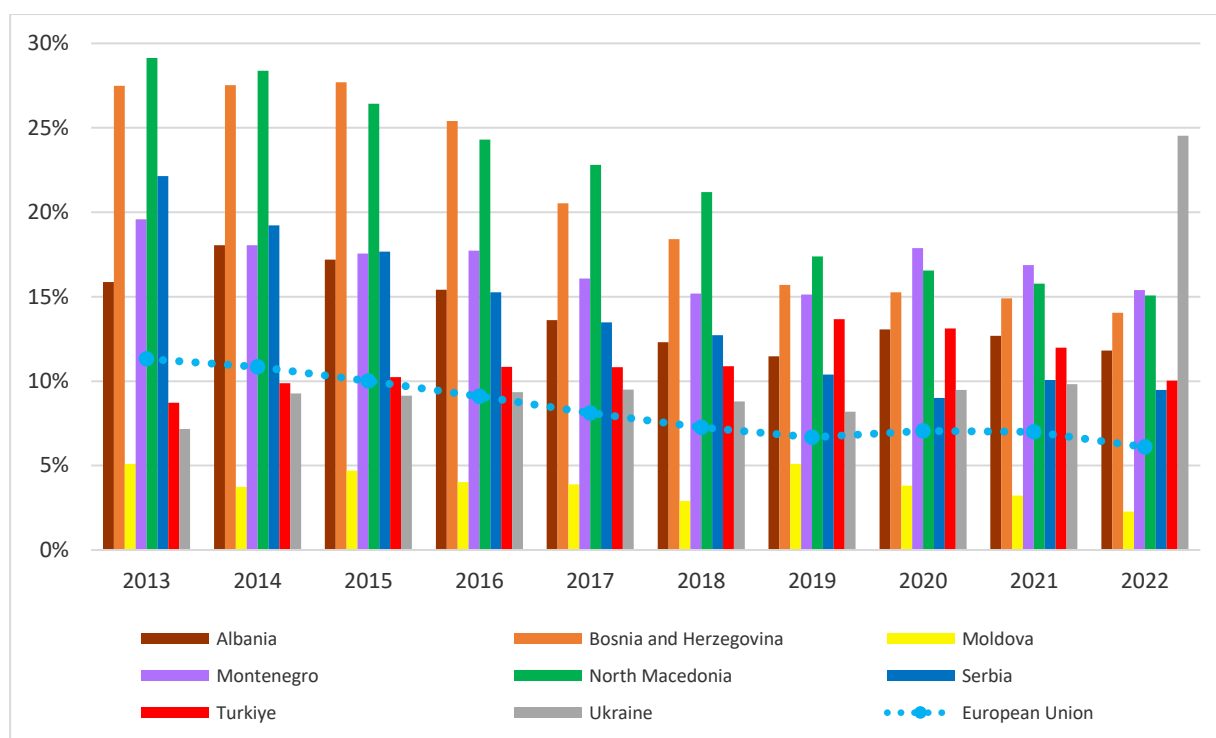
Eurostat

In Table 20 the real interest rates of Türkiye and other candidate countries between 2013 and 2022, Türkiye experienced the sharpest real interest rate decline.

High inflationary pressures and exchange rate fluctuations in Türkiye in recent years have led to a significant decline in real interest rates. The Central Bank of the Republic of Türkiye (CBRT) has been pursuing a low interest rate policy in recent years to fight inflation and support economic growth. The CBRT has stated that its decisions to lower interest rates are aimed at increasing the growth support of the Turkish economy and strengthening price stability (Central Bank of the Republic of Türkiye, 2022).

In other candidate countries, which are smaller economies compared to Türkiye, real interest rates have been more moderate. It can be interpreted that inflationary pressures remained more limited compared to Türkiye. Among the other candidate countries, Ukraine is the country with the most significant decline in real interest rates. The geopolitical risks and conflicts that Russia poses to Ukraine, which are discussed in other chapters of this thesis, are the main reason behind the negative rates. As a consequence, economic stability has been jeopardized and uncertainty in financial markets has increased.

3.7. Unemployment



Graph 9: Unemployment (annual %) of the Candidate Countries
Source: World Bank, World Development Indicators

Graph 9 analyzes the unemployment rates of EU candidate countries and the average unemployment rates of EU countries between 2013 and 2022. When a trend line is drawn on the graph, it is observed that most candidate countries have experienced a decline in unemployment rates. The most striking year between 2013 and 2022 was 2020. In this year, when the COVID-19 pandemic effect started and general economic trends narrowed, there is a negative impact on unemployment rates as in other indicators. Bosnia and Herzegovina made significant progress by reducing the unemployment rate from 27% in 2013 to 14% in 2022. However, the level of unemployment is still high compared to the EU average and the other candidate countries. The lack of sufficient employment in the economy and the mismatch of the education curriculum with the expectations of the sectors are cited by the European Commission as the main reasons for unemployment in the country (European Commission, 2021b). The other country that stands out in the graph is Moldova with low unemployment rates. This is mainly due to the fact that Moldova is a high emigration country and the young and working-age population usually leaves the country for higher wages. Another reason is that agriculture is the sector with the largest volume in the country's economy, which is mentioned

under Moldova in Chapter 2 of the thesis. The agricultural sector is generally not included in official unemployment statistics worldwide.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)
Albania	16%	12%	-25%
Bosnia and Herzegovina	27%	14%	-48%
Moldova	5%	2%	-60%
Montenegro	20%	15%	-25%
North Macedonia	29%	15%	-48%
Serbia	22%	9%	-59%
Türkiye	9%	10%	11%
Ukraine	7%	25%	257%
European Union	11%	6%	-45%

Table 21: Unemployment Change Rate of the Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

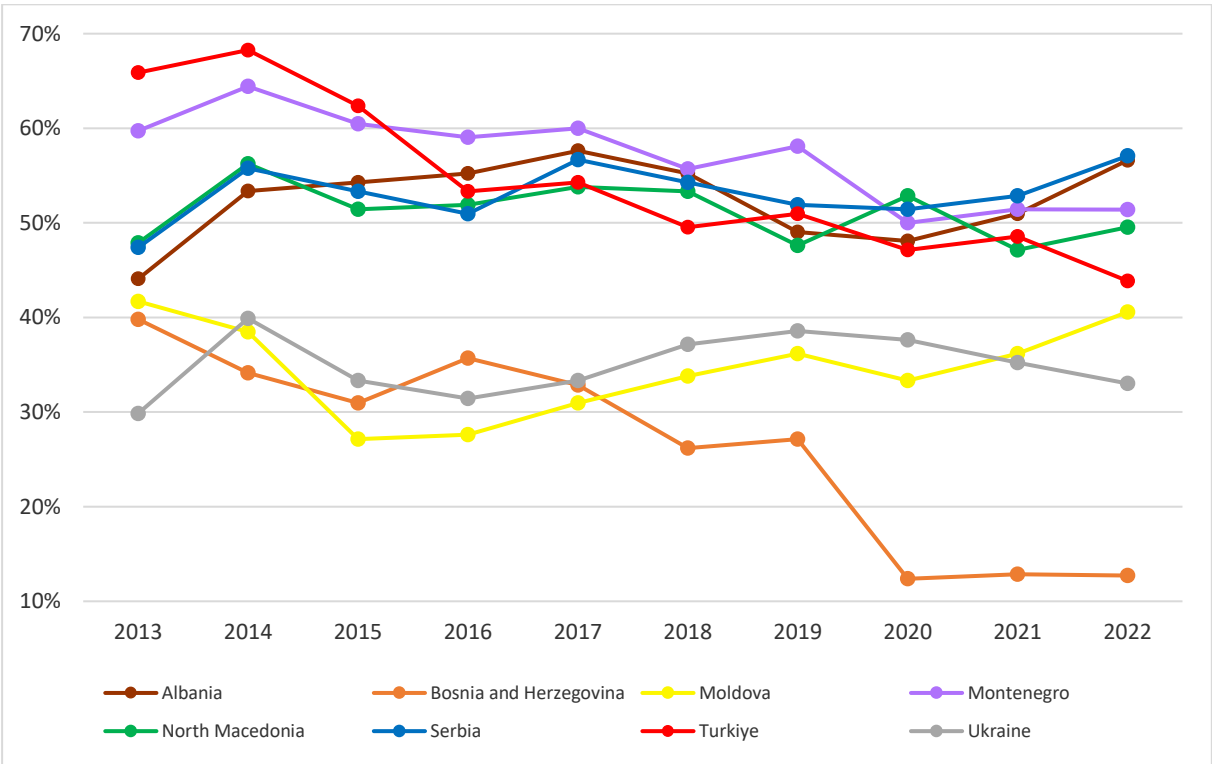
In general, unemployment rates in EU candidate countries have been on a downward trend in the last decade. The partnership agreements signed between the candidate countries and the EU and the incentive policies targeted in the harmonization processes, such as trade liberalization, improvement of the investment climate, increasing the flexibility of labour markets, have helped to reduce unemployment, especially among youth and women. Specific to North Macedonia, the unemployment rate decreased from 29% in 2013 to 15% in 2022. The "Youth Guarantee" scheme launched by the Employment Service Agency of North Macedonia plays an active role in addressing the country's youth unemployment rate (Employment Service Agency of the Republic of North Macedonia, n.d.). On the other hand, by adopting a plan for the implementation of the Youth Guarantee in 2023 in March 2023, North Macedonia has taken serious steps to reduce unemployment rates (European Commission, 2023e).

Türkiye's unemployment rates gradually increased between 2013 and 2016, and have been on a downward trend since 2020. Türkiye has developed various programs to prevent the increase in unemployment rates. The Turkish Employment Agency organizes training programs to enable registered unemployed to gain professional experience. The SME Development Organization (KOSGEB) encourages unemployed individuals to start their own businesses through financing, training and consultancy, innovation and R&D support. Türkiye modernized its labour market through significant amendments to the Labour Law in 2003 as part of the harmonization process with the EU. The 2008 social security reform restructured the pension

system. Support for women and youth employment and the unemployment insurance fund were also implemented as part of the harmonization process.

When the rates of change in the table are analyzed, the largest negative change is observed in Ukraine. The country has faced serious economic difficulties due to the political and military conflicts since 2014. This situation has negatively affected the Ukraine’s economic activities and led to an increase in unemployment rates. Damage to infrastructure and production facilities in conflict zones is another important factor behind the sharp increase of unemployment rate.

3.8. Government Effectiveness



Graph 10: Government Effectiveness Rate of the Candidate Countries
Source: World Bank, World Development Indicators

As defined by The World Bank, the government effectiveness rate aims to measure the quality of public and civil services and their independence from political pressures. In other words, the index assesses the quality of management of the public sector and whether the government is able to implement its policies effectively. Based on the fact that good governance and social cohesion are important for development, it can be said that they play an important role in fulfilling the second pillar of the Copenhagen economic criteria.

As the government effectiveness rate measures the government's effective implementation of economic policies, it is linked to the ability to withstand competitive pressure and market forces within the EU.

Graph 10 shows that Albania, Moldova, Serbia and North Macedonia are the countries with rising government effectiveness rates. On the other hand, Türkiye and Ukraine are the countries that have experienced a decline. The political crisis in Ukraine has directly affected the indicator. Montenegro has the best and most stable ratio in the graph. It should be taken into account that the improvement of government policies, legal and institutional reforms carried out within the framework of the EU harmonization process may have increased government effectiveness.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)
Albania	44%	57%	28%
Bosnia and Herzegovina	40%	13%	-68%
Moldova	42%	41%	-3%
Montenegro	60%	51%	-14%
North Macedonia	48%	50%	3%
Serbia	47%	57%	20%
Türkiye	66%	44%	-33%
Ukraine	30%	33%	11%

Table 22: Government Effectiveness Change Rate of the Candidate Countries

The table was created by the author.

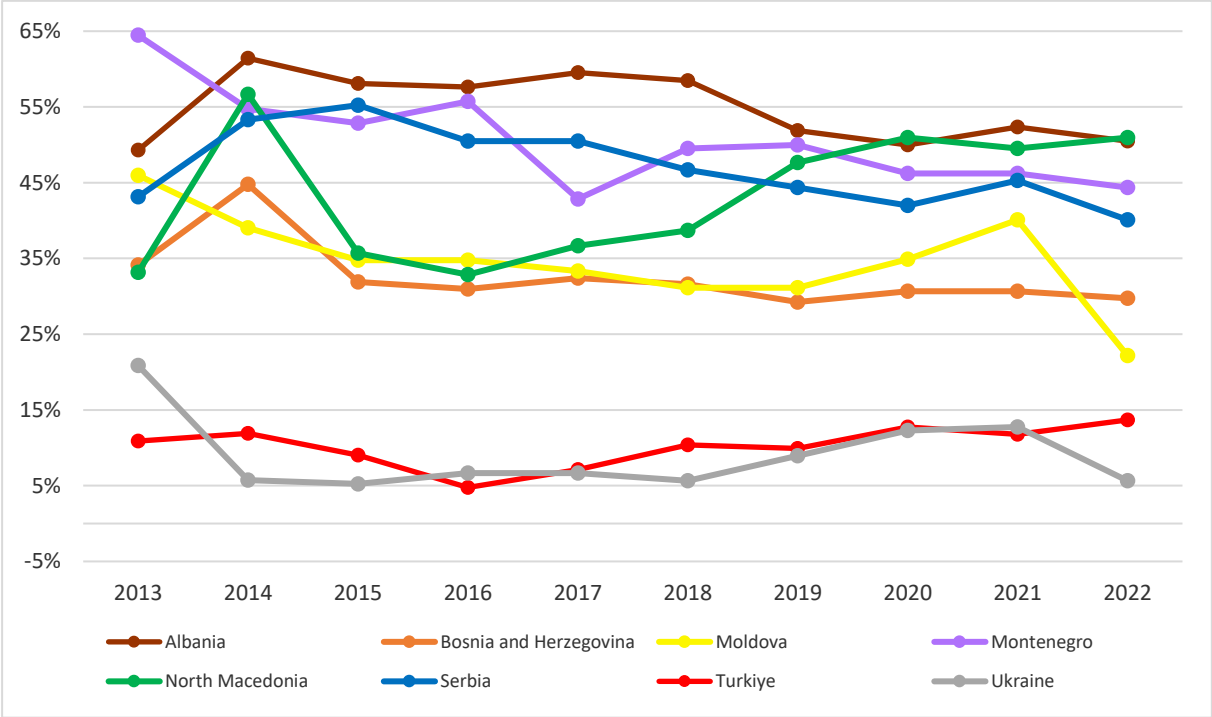
Source: World Bank, World Development Indicators

According to the data presented in Table 2022, in the last 10 years, Bosnia and Herzegovina has a significant decline of 68%. Behind this declining, the country's political fragmentation and complex governance structure may be the main reasons. In recent years, Albania has placed emphasis on promoting private sector entrepreneurship and has made efforts to digitize public services. By 2022, 95% of public services in the country have been digitized and it is aimed to increase transparency by reducing informal payments (Global Voices, 2022).

When Türkiye's data is analyzed, a 22% decrease in Türkiye's government effectiveness rate has been observed in the last 10 years. When the reasons behind this decline are analyzed, the transition to the presidential system with the constitutional referendum held in 2017 and serious changes in the governance structure may be the reason. With this decision, centralization in decision-making processes has increased and executive power has been strengthened, which may directly affect government effectiveness. On the other hand, exchange

rate fluctuations are also influential and put pressure on the effectiveness of government policies.

3.9. Political Stability and Absence of Violence/Terrorism



Graph 11: Political Stability and Absence of Violence/Terrorism Rate of the Candidate Countries
Source: World Bank, World Development Indicators

Although it may seem to be included in the political criteria of the EU, political stability is the other heading that candidate countries should focus on in fulfilling the Copenhagen economic criteria as well. The World Bank examines this topic with the Political Stability and Absence of Violence/Terrorism indicator. This indicator is particularly relevant to the second pillar of the Copenhagen economic criteria as it directly affects labor force, macroeconomic stability, and global standing. This climate of confidence supports the sustainability of economic reforms, investment attraction, trade relations and economic development, and increased social welfare.

Albania, Montenegro, North Macedonia, and Serbia have generally maintained moderate levels of stability. It is important to note that the country's decision to change its name, which is discussed in previously on North Macedonia part, resulted in the development of good relations in the international conjuncture. In the case of Bosnia and Herzegovina, political stability has fluctuated due to ethnic divisions and a complex political structure. Intense inter-

ethnic disputes in the Balkans and tensions with neighboring countries have also led to tensions in Serbia and Montenegro and negatively affected the results of the indicators.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)
Albania	49%	50%	2%
Bosnia and Herzegovina	34%	30%	-13%
Moldova	46%	22%	-52%
Montenegro	64%	44%	-31%
North Macedonia	33%	51%	54%
Serbia	43%	40%	-7%
Türkiye	11%	14%	25%
Ukraine	21%	6%	-73%

Table 23: Political Stability and Absence of Violence/Terrorism Change Rate of the Candidate Countries

The table was created by the author.

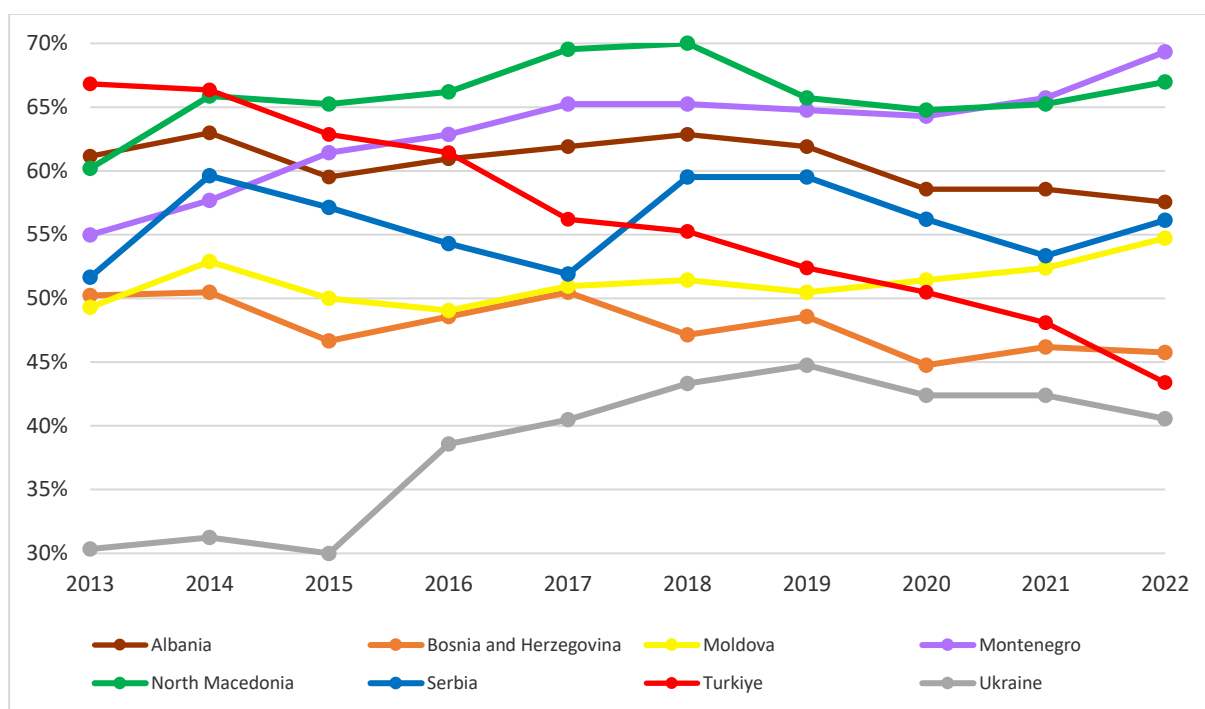
Source: World Bank, World Development Indicators

Based on the data in Table 23, Ukraine has seen the most dramatic decline in the last 10 years. Russia's military intervention in Ukraine and the ongoing threat to the country's territorial integrity are the main reasons for the sharp decline in Ukraine and its lowest percentage among the candidate countries. Moldova was also affected by the war as a result of increased security concerns due to its location.

The 2016 Coup Attempt and the subsequent state of emergency, which resulted in the dismissal of a large number of people through judicial processes and the closure of many media outlets, created an international perception that Türkiye's democratic institutions were weakening and had a negative impact on political stability. In addition, on the Kurdish Question and the Fight against Terrorism, Türkiye has been struggling with terrorism for many years. Especially the conflicts in the Southeastern Anatolia Region in 2015-2016 and Türkiye's military operations in Syria and Iraq have increased polarization in both domestic and foreign politics and challenged political stability.

In the fight against terrorism, Türkiye has recently made significant progress in ensuring internal security, particularly through operations against terrorist organizations such as the PKK and DAESH. This has had a positive impact on the country's political stability. Another reason for the positive increase in recent years is that economic reforms and infrastructure investments have supported economic growth.

3.10. Regulatory Quality



Graph 12: Regulatory Quality Rate of the Candidate Countries

Source: World Bank, World Development Indicators

Regulatory Quality is fundamental to a country's international competitiveness and, in the context of the Copenhagen economic criteria, is linked to the ability of countries to cope with EU competitive pressure and market forces. When candidate countries produce good results on this indicator, they can improve their ability to attract investment and export performance by undertaking domestic reforms to enhance their ability to formulate and implement policies that promote private sector development, such as the rule of law, facilitation of international trade and harmonization with standards. On the other hand, high compliance costs also carry the risk of increased costs for firms.

An analysis of the regulatory quality trends of EU candidate countries over the last 10 years reveals various trends. The vast majority of countries have improved. Regulatory quality has gained momentum as all candidate countries are in the process of integration into the EU and are trying to realize economic and political reforms. However, the trend varies regionally as they are affected by political instability.

Montenegro, in particular, has seen a significant increase in its rates. The structural reforms realized during the EU harmonization process can be cited as a reason. The 2022 report

on Montenegro emphasizes that the country has seen an improvement in the fight against corruption, particularly in preventive measures thanks to the work of the Anti-Corruption Agency, but that more needs to be done to achieve tangible results in the fight against corruption and increase public confidence (European Commission, 2022d).

In the context of regulatory quality, Moldova has taken important steps to improve its regulatory quality through reforms undertaken as part of the EU integration process. The activities of institutions such as the National Anti-Corruption Center (CNA) and the National Integrity Authority (ANI) have been effective in preventing and detecting corruption. However, the complexity of the tax system, energy dependency and demographic issues pose challenges. Similarly, although Montenegro, North Macedonia: and Serbia, in particular Montenegro, are also struggling with corruption, economic reforms, transparency and improving the investment climate have improved regulatory quality.

Country	2013 Rate (%)	2022 Rate (%)	Change Rate (%)
Albania	61%	58%	-6%
Bosnia and Herzegovina	50%	46%	-9%
Moldova	49%	55%	11%
Montenegro	55%	69%	26%
North Macedonia	60%	67%	11%
Serbia	52%	56%	9%
Türkiye	67%	43%	-35%
Ukraine	30%	41%	34%

Table 24: Regulatory Quality Change Rate of the Candidate Countries

The table was created by the author.

Source: World Bank, World Development Indicators

Table 24 shows a significant decline in Türkiye. The main reasons for the decline in Türkiye include political uncertainties, concerns over judicial independence and changes in economic policies. In particular, the state of emergency declared after the attempted coup in 2016 led to uncertainties in the legal and regulatory framework. Moreover, economic challenges, such as the debate over the independence of the central bank and rising inflation, have played an important role in the decline in regulatory quality. In Bosnia and Herzegovina, political fragmentation and a slow reform process were among the main reasons for the decline in regulatory quality. In Ukraine: despite efforts to improve competition laws, the Russian occupation and political instability pose serious challenges.

4. STATISTICAL METHODOLOGY AND HYPOTHESIS TESTING

In this section of the thesis, the statistical analysis of the hypotheses is conducted using SPSS software. This analysis serves to provide a robust statistical foundation for the findings presented in the previous chapters of the thesis. Specifically, the first hypothesis, which posits that candidate country economies gain positive momentum during the accession process to the European Union, is examined through the correlation method. The correlation between the European Union and the indicator results of candidate countries is analyzed to determine the strength and direction of their relationship. This approach is chosen to statistically validate the observed trends and to support the conclusions reached in earlier sections of the thesis. Additionally, descriptive statistics are employed to further analyze the distribution and clustering of the data, providing a comprehensive understanding of the economic dynamics of candidate countries in relation to the European Union.

The second hypothesis of the thesis is that Türkiye is in a better position than other candidate countries in completing the Copenhagen economic criteria of the European Union. To examine this hypothesis statistically, firstly, the presence of differences between the groups is investigated using the Kruskal-Wallis test. The Kruskal-Wallis test is a non-parametric test used to examine whether there are differences between groups. Subsequently, the Mann-Whitney U Test is conducted on the indicators for which differences between groups are determined, and Türkiye is compared with other candidate countries individually. The Mann-Whitney U Test, named after Frank Wilcoxon and Donald A. Siefken's work and developed by Henry Mann and Donald R. Whitney, is a statistical test that is useful when there are ordinal data between groups.

Therefore, given these reasons and in consistency with other sections of the thesis, the Kruskal-Wallis and Mann-Whitney tests are applied to measure differences between the selected twelve indicators across eight candidate countries for the period ranging from 2013 to 2022.

4.1. GDP (Billion US\$)

4.1.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	11,39	18,92	14,4840	2,50309
Bosnia and Herzegovina	10	16,40	24,47	19,7902	2,64256
Moldova	10	7,80	14,51	10,6919	2,25742
Montenegro	10	4,05	6,23	5,0258	0,71525
North Macedonia	10	10,06	14,00	11,9438	1,29807
Serbia	10	39,66	63,56	50,2160	8,21803
Türkiye	10	720,34	957,80	847,7019	77,52986
Ukraine	10	91,03	199,77	142,2140	37,17835
European Union	10	13.553,68	17.315,52	15.427,0932	1.157,98814
Valid N (listwise)	10				

Table 25: Descriptive Statistics of GDP (Billion US\$) for EU Candidate Countries

Sources: World Bank, World Development Indicators

In examining the descriptive statistics of the GDPs of EU candidate countries, Türkiye exhibits a substantial range with a minimum value of 720.34 and a maximum of 957.80, averaging approximately 847.70. The standard deviation for Türkiye stands at approximately 77.53, indicating a wider distribution of values compared to other countries, which generally have a narrower range. The data for the EU average show much larger figures when compared to those of the candidate countries, suggesting that direct comparisons may be challenging without further information on the specific economic indicators covered by the data set.

4.1.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	33,40
Bosnia and Herzegovina	10	44,80
Moldova	10	19,90
Montenegro	10	5,50
North Macedonia	10	23,90
Serbia	10	55,50
Türkiye	10	75,50
Ukraine	10	65,50
Total	80	
Test Statistics ^{a,b}		
Chi-Square		75,349
df		7
Asymp. Sig.		0,000

Table 26: Kruskal-Wallis H Test of GDP Indicators Among EU Candidate Countries

Sources: World Bank, World Development Indicators

Upon reviewing the Kruskal-Wallis H test, it is apparent that the significance value (often denoted as sigma or p-value) is less than 0.05. This reveals statistically significant disparities in GDP (in billions of US dollars) among the countries studied. The table highlights

that Türkiye has the highest mean rank at 75.50, suggesting its GDP distribution differs significantly from the others, while Montenegro, with the lowest mean rank of 5.50, stands at the opposite end of the spectrum. The 'Total' row confirms the inclusion of 80 observations, with 10 from each country. The highly significant test result, with a p-value of .000, implies that these differences are not due to random variation, suggesting that some underlying factors or models might explain these variances. For policymakers and economists, this could necessitate a thorough analysis of economic policies' effectiveness and the structural economic differences among the candidate countries.

4.1.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5
Sum of Ranks	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Wilcoxon W	55,00	55,00	55,00	55,00	55,00	55,00	55,00
Z	-3,780	-3,780	-3,780	-3,780	-3,780	-3,780	-3,780
A symp. Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b

Table 27: Mann-Whitney U Analysis of GDP (Billion US\$): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

Upon meticulous examination of the provided tables employing the Mann-Whitney U test, it becomes evident that Türkiye's Gross Domestic Product (GDP), expressed in billions of US dollars, is statistically distinct from that of other candidate countries. This distinction is underscored by asymptotic significance values consistently marked as .000, signifying substantial differences. Furthermore, sigma values being below the threshold of 0.05 corroborate the notable disparities between Türkiye and its counterparts, indicating that Türkiye's GDP not only diverges but indeed exceeds that of the other nations under comparison. This analysis suggests that, in terms of economic size as measured by GDP, Türkiye may be better positioned relative to the other candidate countries, potentially influencing its readiness to meet the economic criteria stipulated by the Copenhagen standards for European Union accession.

4.1.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,908**	0,921**	0,913**	0,870**	0,924**	0,938**	-0,119	0,804**	1
Sig. (2-tailed)	0,000	0,000	0,000	0,001	0,000	0,000	0,744	0,005	
N	10	10	10	10	10	10	10	10	10

Table 28: Correlation Matrix of GDP Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

This correlation matrix, which examines the GDP (in billions of US dollars) among the candidate countries, suggests that the European Union has a statistically significant positive relationship with the economies of most candidate countries, as indicated by the p-values being less than 0.05. This aligns with the first hypothesis, indicating that the economies of EU candidate countries tend to gain positive momentum during the accession process to the European Union. The high Pearson Correlation coefficients between the EU and these nations support this idea, showcasing a strong positive association which might be reflective of the synchronization of economic policies and standards as part of the EU integration process.

However, the relationship between the European Union and Türkiye does not follow this pattern, with a p-value greater than 0.05, suggesting no significant correlation based on this dataset. This could imply that while other candidate countries' economies show alignment and potentially benefit from the process of EU accession, Türkiye's economic relationship with the EU is less clear-cut and might be influenced by other factors not captured by this GDP data alone.

4.2. GDP Growth (annual %)

4.2.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	-0,03	0,09	0,0287	0,03102
Bosnia and Herzegovina	10	-0,03	0,07	0,0295	0,02647
Moldova	10	-0,08	0,14	0,0308	0,06395
Montenegro	10	-0,15	0,13	0,0297	0,07133
North Macedonia	10	-0,06	0,06	0,0227	0,03168
Serbia	10	-0,02	0,08	0,0267	0,02670
Türkiye	10	0,01	0,11	0,0530	0,03241
Ukraine	10	-0,29	0,03	-0,0377	0,10336
European Union	10	-0,13	0,13	0,0157	0,07215
Valid N (listwise)	10				

Table 29: Descriptive Statistics of GDP Growth (annual %) for EU Candidate Countries

Sources: World Bank, World Development Indicators

When scrutinizing the descriptive statistics for annual GDP growth rates, Türkiye's performance exhibits noteworthy variability when compared with other EU candidate countries. Specifically, Türkiye demonstrates resilience by not displaying any significant downturn with a minimum growth rate of 0.01%, while its maximum growth rate of 0.11% marks a notable peak. With an average growth rate of approximately 0.053%, Türkiye outperforms the majority of the candidate countries. For instance, Moldova, with an average growth rate of 0.0308% and a standard deviation of 0.06395, indicates a more volatile yearly growth compared to Türkiye. Conversely, Montenegro's average growth rate of 0.0297% and a standard deviation of 0.07133 suggest less fluctuation in its economic growth rates compared to Türkiye's.

4.2.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	37,80
Bosnia and Herzegovina	10	40,60
Moldova	10	47,20
Montenegro	10	48,40
North Macedonia	10	36,80
Serbia	10	37,00
Türkiye	10	54,60
Ukraine	10	21,60
Total	80	
Test Statistics ^{a,b}		
Chi-Square	12,899	
df	7	
Asymp. Sig.	0,075	

Table 30: Kruskal-Wallis H Test of GDP Growth Indicator Among EU Candidate Countries
Sources: World Bank, World Development Indicators

The Kruskal-Wallis H test was conducted to evaluate the disparities in GDP growth (annual %) amongst the candidate countries of the European Union. The analysis yielded a chi-square value of 12.899 with a p-value of .075, which exceeds the alpha threshold of 0.05. This indicates that the null hypothesis cannot be rejected, suggesting there are no statistically significant differences in GDP growth rates across the surveyed nations.

Given the absence of significant differences indicated by the Kruskal-Wallis H test, a Mann-Whitney U test was deemed unnecessary for pairwise comparison. This decision is based on the rationale that the Mann-Whitney test is typically employed to identify specific group differences following a significant Kruskal-Wallis result, and since the Kruskal-Wallis test did not reveal any significant disparities among the countries, the application of the Mann-Whitney test is not warranted in this context.

4.2.3. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,485	0,284	0,673 ^x	0,372	0,187	0,483	0,398	0,532	1
Sig. (2-tailed)	0,155	0,427	0,033	0,290	0,604	0,157	0,254	0,113	
N	10	10	10	10	10	10	10	10	10

Table 31: Correlation Matrix of GDP Growth Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

In the analysis of GDP growth correlations among EU candidate countries and the European Union, Moldova stands out with a significant Pearson correlation coefficient of 0.673 and a corresponding p-value of 0.033, indicating a statistically significant and moderately positive relationship with the EU's GDP growth. In contrast, the relationships between the EU and the other candidate countries, including Türkiye, do not exhibit statistically significant correlations at the 5% significance level, as their p-values exceed 0.05. This suggests that while Moldova's GDP growth patterns show some alignment with EU trends, the other candidate countries, under this statistical lens, do not demonstrate a similar linkage.

4.3. GDP Per Capita (US\$)

4.3.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	3.952,80	6.810,11	5.081,38180	946,93983
Bosnia and Herzegovina	10	4.654,61	7.568,80	5.813,47960	981,78094
Moldova	10	2.749,91	5.714,43	3.959,00400	1.001,75507
Montenegro	10	6.517,19	10.093,44	8.092,75270	1.169,25718
North Macedonia	10	4.861,56	6.778,56	5.771,30370	632,67050
Serbia	10	5.588,98	9.537,68	7.217,59170	1.331,86848
Türkiye	10	8.638,74	12.578,19	10.529,97330	1.257,38462
Ukraine	10	2.124,66	4.827,85	3.411,46880	942,30708
European Union	10	30.487,16	38.721,76	34.594,04390	2.539,13000
Valid N (listwise)	10				

Table 32: Descriptive Statistics of GDP Per Capita (US\$) for EU Candidate Countries

Sources: World Bank, World Development Indicators

The Descriptive Statistics of GDP Per Capita in US dollars for EU Candidate Countries display a considerable range across the nations. Türkiye shows the highest mean GDP per capita, significantly surpassing that of other candidate countries. This high mean is coupled with a relatively large standard deviation, indicating variability in Türkiye's annual GDP per capita figures. On the other hand, Moldova and Ukraine show the lowest GDP per capita means, suggesting a larger gap compared to the European Union's average, which notably exceeds all

candidate countries with both a higher mean and a substantial standard deviation, reflective of its diverse economies.

4.3.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	29,10
Bosnia and Herzegovina	10	38,70
Moldova	10	15,60
Montenegro	10	62,20
North Macedonia	10	38,90
Serbia	10	54,90
Türkiye	10	74,30
Ukraine	10	10,30
Total	80	
Test Statistics ^{a,b}		
Chi-Square	64,602	
df	7	
Asymp. Sig.	0,000	

Table 33: Kruskal-Wallis H Test of GDP Per Capita Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The Kruskal-Wallis H test was applied to assess the disparities in GDP per capita (US\$) among the EU candidate countries. The results indicated a chi-square statistic of 64.602 with a p-value of .000. Given that the p-value falls below the established significance level of 0.05, the null hypothesis is rejected. This implies that there are statistically significant differences in GDP per capita among the candidate countries. Türkiye, with a mean rank of 74.30, appears to be distinct from other countries in this regard.

The results of this test support the research hypothesis that there are significant differences between the countries' GDP per capita.

4.3.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	15,5 5,5	15,5 5,5	15,5 5,5	14,7 6,3	15,5 5,5	15,1 5,9	15,5 5,5
Sum of Ranks	155,0 55,0	155,0 55,0	155,0 55,0	147,0 63,0	155,0 55,0	151,0 59,0	155,0 55,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	0,00	0,00	0,00	8,00	0,00	4,00	0,00
Wilcoxon W	55,00	55,00	55,00	63,00	55,00	59,00	55,00
Z	-3,780	-3,780	-3,780	-3,175	-3,780	-3,477	-3,780
A symp. Sig (2-tailed)	0,000	0,000	0,000	0,001	0,000	0,001	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b

Table 34: Mann-Whitney U Analysis of GDP Per Capita (US\$): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis provides a clear statistical distinction between Türkiye's GDP per capita (US\$) and that of the other EU candidate countries, with Türkiye having consistently higher mean ranks. This significant difference is underscored by p-values of 0.000 across comparisons with Albania, Bosnia and Herzegovina, and others, all of which are well below the 0.05 threshold, affirming the higher GDP per capita in Türkiye. This indicates that Türkiye's economic stature, in terms of individual prosperity as measured by GDP per capita, is distinct from the other nations in this analysis.

4.3.4. Correlation Analysis

		ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
EU	Pearson Correlation	0,878**	0,860**	0,867**	0,853**	0,909**	0,905**	-0,242	0,887**	1
	Sig. (2-tailed)	0,001	0,001	0,001	0,002	0,000	0,000	0,500	0,001	
	N	10	10	10	10	10	10	10	10	10

Table 35: Correlation Matrix of GDP Per Capita (US\$) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The correlation matrix for GDP per Capita (US\$) among EU candidate countries indicates that all countries, except Türkiye, have a statistically significant positive relationship with the European Union, as reflected by their p-values being less than 0.05. This denotes a strong positive correlation with the EU's GDP per capita trends. In contrast, Türkiye's correlation coefficient is negative, and the associated p-value is greater than 0.05, implying no statistically significant correlation with the EU's GDP per capita figures.

4.4. Exports of Goods and Services (% of GDP)

4.4.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,23	0,37	0,2992	0,03797
Bosnia and Herzegovina	10	0,34	0,48	0,3857	0,04783
Moldova	10	0,28	0,41	0,3225	0,03447
Montenegro	10	0,26	0,52	0,4123	0,06260
North Macedonia	10	0,43	0,75	0,5665	0,09520
Serbia	10	0,40	0,64	0,4945	0,06735
Türkiye	10	0,23	0,39	0,2904	0,05418
Ukraine	10	0,35	0,53	0,4429	0,05379
European Union	10	0,45	0,56	0,4844	0,03274
Valid N (listwise)	10				

Table 36: Descriptive Statistics of Exports of Goods and Services (% of GDP) for EU Candidate Countries

Sources: World Bank, World Development Indicators

Table 36, representing the Descriptive Statistics of Exports of Goods and Services (% of GDP) for EU Candidate Countries, reveals heterogeneous export behaviors among them. North Macedonia leads with the highest mean export-to-GDP ratio, which, together with the largest standard deviation, suggests significant year-on-year variation. This can result in more pronounced peaks and troughs in export performance over time. On the other hand, Türkiye's figures point towards a more consistent, albeit smaller, contribution of exports to the GDP. Such stability could be advantageous during global economic downturns.

4.4.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	15,70
Bosnia and Herzegovina	10	39,30
Moldova	10	21,80
Montenegro	10	46,10
North Macedonia	10	70,90
Serbia	10	62,40
Türkiye	10	14,70
Ukraine	10	53,10
Total	80	
Test Statistics^{a,b}		
Chi-Square	59,735	
df	7	
Asymp. Sig.	0,000	

Table 37: Kruskal-Wallis H Test of Exports of Goods and Services (% of GDP) Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The Kruskal-Wallis H test was utilized to assess the variance in Exports of Goods and Services (% of GDP) among EU candidate countries. The test produced a chi-square value of 59.735 with a p-value of .000, compelling the rejection of the null hypothesis due to the p-value being significantly below the 0.05 threshold. This rejection confirms statistically significant differences between the countries' exports as a percentage of GDP. Particularly, Türkiye, with a mean rank of 14.70, is indicated to have a distinctive standing compared to other countries in the dataset.

The results from the Kruskal-Wallis H test lead to the rejection of the null hypothesis, as the p-value of .000 is significantly below the threshold of 0.05, indicating a statistically significant variance in exports as a percentage of GDP among the countries studied.

4.4.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	9,8 11,2	6,4 14,6	8,7 12,3	6,1 14,9	5,5 15,5	5,5 15,5	5,7 15,3
Sum of Ranks	98,0 112,0	64,0 146,0	87,0 123,0	61,0 149,0	55,0 155,0	55,0 155,0	57,0 153,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	43,00	9,00	32,00	6,00	0,00	0,00	2,00
Wilcoxon W	98,00	64,00	87,00	61,00	55,00	55,00	57,00
Z	-0,529	-3,099	-1,361	-3,326	-3,780	-3,780	-3,628
A symp. Sig. (2-tailed)	0,597	0,002	0,174	0,001	0,000	0,000	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,631 ^b	0,001 ^b	0,190 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b

Table 38: Mann-Whitney U Analysis of Exports of Goods and Services (% of GDP): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The detailed analysis of the Mann-Whitney U test comparing Türkiye's Exports of Goods and Services (% of GDP) against other EU candidate countries shows Türkiye to have markedly distinct export dynamics. The mean ranks suggest Türkiye's exports of goods and services as a percentage of GDP are consistently different when compared with several candidate countries. Moreover, Türkiye has a lower mean rank in comparison to most countries, with the exception of Ukraine. This suggests Türkiye's exports of goods and services as a percentage of GDP are statistically lower than those of other candidate countries like Albania, Bosnia and Herzegovina, Montenegro, and North Macedonia, where the test indicates a statistically significant difference ($p < 0.05$).

Based on the provided p-values from the Mann-Whitney U test:

- The null hypothesis (H₀) for TR-BIH, TR-MNE, TR-NMK, TR-SRB, and TR-UKR is rejected, as the p-values are below the 0.05 threshold, indicating significant differences.
- For TR-ALB and TR-MOL, the null hypothesis is not rejected at a 5% significance level due to p-values higher than 0.05.

4.4.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,821 ^{**}	0,956 ^{**}	0,748 [*]	0,654 [*]	0,929 ^{**}	0,959 ^{**}	0,880 ^{**}	-0,610	1
Sig. (2-tailed)	0,004	0,000	0,013	0,040	0,000	0,000	0,001	0,061	
N	10	10	10	10	10	10	10	10	10

Table 39: Correlation Matrix of Exports of Goods and Services (% of GDP) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The correlation matrix highlights the relationships between the exports of goods and services (% of GDP) of EU candidate countries and the European Union. All countries except

Ukraine exhibit significant positive correlations with the EU, as evidenced by p-values less than 0.05. This suggests a strong positive association between their export activities and those of the EU. The relationship between Ukraine and the EU, with a p-value greater than 0.05, does not support a statistically significant correlation, leading to acceptance of the null hypothesis (H0) for no correlation in this particular case.

The observed significant positive correlations between the EU and most candidate countries, with the exception of Ukraine, align with the hypothesis that candidate economies gain positive momentum during the accession process to the European Union. The correlation analysis substantiates this theory, particularly as it demonstrates a generally strong and positive linkage in terms of exports as a percentage of GDP. These findings suggest that as countries progress in their journey towards EU membership, their export activities tend to reflect the economic patterns and standards of the Union.

4.5. Imports of Goods and Services (% of GDP)

4.5.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,37	0,48	0,4510	0,03002
Bosnia and Herzegovina	10	0,48	0,62	0,5474	0,03616
Moldova	10	0,51	0,69	0,5875	0,05119
Montenegro	10	0,60	0,74	0,6389	0,04264
North Macedonia	10	0,61	0,96	0,7225	0,10223
Serbia	10	0,48	0,75	0,5750	0,07690
Türkiye	10	0,25	0,43	0,3105	0,04956
Ukraine	10	0,40	0,56	0,5084	0,05557
European Union	10	0,41	0,55	0,4476	0,03858
Valid N (listwise)	10				

Table 40: Descriptive Statistics of Imports of Goods and Services (% of GDP) for EU Candidate Countries

Sources: World Bank, World Development Indicators

The provided statistics illustrate the Imports of Goods and Services as a percentage of GDP for EU candidate countries, revealing diverse trade dependencies within the region. Türkiye's lower mean percentage suggests less reliance on imports relative to GDP. In contrast, North Macedonia's higher mean indicates a strong dependency on imports, perhaps due to a smaller domestic production base or a strategic integration into global value chains.

4.5.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	17,20
Bosnia and Herzegovina	10	39,60
Moldova	10	50,80
Montenegro	10	63,10
North Macedonia	10	72,20
Serbia	10	46,00
Türkiye	10	5,80
Ukraine	10	29,30
Total	80	
Test Statistics ^{a,b}		
Chi-Square	65,282	
df	7	
Asymp. Sig.	,000	

Table 41: Kruskal-Wallis H Test of Imports of Goods and Services (% of GDP) Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The implementation of the Kruskal-Wallis H test to examine the Imports of Goods and Services (% of GDP) across EU candidate countries yielded a chi-square statistic of 65.282. The resulting p-value is .000, which is substantially less than the alpha cutoff of 0.05, necessitating the rejection of the null hypothesis. This statistical outcome substantiates the existence of significant differences in the imports of goods and services as a percentage of GDP among the countries studied. With Türkiye's mean rank being notably low at 5.80, the findings suggest that the country's import patterns as a percentage of GDP are markedly distinct from those of the other countries under consideration.

4.5.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	5,6 15,4	5,5 15,5	5,5 15,5	5,5 15,5	5,5 15,5	5,5 15,5	5,7 15,3
Sum of Ranks	56,0 154,0	55,0 155,0	55,0 155,0	55,0 155,0	55,0 155,0	55,0 155,0	57,0 153,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	1,00	0,00	0,00	0,00	0,00	0,00	2,00
Wilcoxon W	56,00	55,00	55,00	55,00	55,00	55,00	57,00
Z	-3,704	-3,780	-3,780	-3,780	-3,780	-3,780	-3,628
A symp. Sig (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b

Table 42: Mann-Whitney U Analysis of Imports of Goods and Services (% of GDP): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis presents a comprehensive comparison of Imports of Goods and Services (% of GDP) across EU candidate countries, with a pronounced emphasis

on Türkiye's unique position. The statistically significant results, reflected by exceptionally low p-values, affirm the disparity between Türkiye's trade activities and those of its counterparts. Such a distinctive standing could be indicative of Türkiye's economic policy orientation, potentially characterized by a greater emphasis on domestic production or trade protectionism, as contrasted with other countries' economic structures that may be more inclined towards integration within international trade networks.

4.5.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,255	0,701*	0,551	0,911**	0,978**	0,971**	0,911**	-0,069	1
Sig. (2-tailed)	0,476	0,024	0,099	0,000	0,000	0,000	0,000	0,849	
N	10	10	10	10	10	10	10	10	10

Table 43: Correlation Matrix of Imports of Goods and Services (% of GDP) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The analysis, incorporating both the Pearson Correlation Coefficients and the Mann-Whitney U test results, underlines a diverse range of integration and economic momentum among EU candidate countries. While the Pearson Correlation suggests varying degrees of positive associations with EU's imports of goods and services—particularly strong for Montenegro, North Macedonia, Serbia, and Türkiye—the Mann-Whitney U analysis identifies a distinctive profile for Türkiye in its import practices. These combined findings can be interpreted as partial validation of the hypothesis that EU accession drives positive economic momentum. The significant correlations and statistical differences underscore transformation in these economies, aligning with the European Union's market dynamics to varying extents.

4.6. Foreign Direct Investment, Net Inflows (BoP, current US\$)

4.6.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	989.578.334,8	1.441.381.891,0	1.159.592.303,0	135.242.852,8
Bosnia and Herzegovina	10	313.198.153,4	645.101.053,9	483.001.276,0	124.898.214,5
Moldova	10	87.440.000,0	592.040.000,0	299.271.000,0	161.797.955,5
Montenegro	10	226.702.405,9	872.574.936,7	543.113.575,7	178.544.141,6
North Macedonia	10	7.693.779,7	870.411.847,0	446.264.691,4	273.689.766,4
Serbia	10	1.999.539.187,0	4.600.176.721,0	3.267.137.592,0	1.060.572.569,0
Türkiye	10	7.700.000.000,0	19.263.000.000,0	12.730.600.000,0	3.042.652.907,0
Ukraine	10	-198.000.000,0	7.954.000.000,0	3.236.100.000,0	2.764.532.810,0
European Union	10	-76.800.000.000,0	817.000.000.000,0	431.590.000.000,0	279.402.000.000,0
Valid N (listwise)	10				

Table 44: Descriptive Statistics of Foreign Direct Investment, Net Inflows (BoP, current US\$) for EU Candidate Countries

Sources: World Bank, World Development Indicators

The descriptive statistics for Foreign Direct Investment (FDI) showcase an nuanced picture of economic engagement for EU candidate countries and the European Union itself. With Türkiye at the forefront, the mean net inflow suggests a robust FDI activity, likely reflecting investor confidence and strategic economic positioning. This contrasts with smaller economies, which exhibit lower means and wide ranges, pointing to potential volatility in investment patterns. The EU's data, with its significant maximum, indicates the influence of larger economies and the variability in FDI across its member states. Such statistics provide valuable insights into the financial connectivity and economic resilience of these regions.

4.6.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	49,50
Bosnia and Herzegovina	10	25,70
Moldova	10	13,60
Montenegro	10	28,90
North Macedonia	10	23,70
Serbia	10	60,40
Türkiye	10	75,40
Ukraine	10	46,80
Total	80	
Test Statistics^{a,b}		
Chi-Square	57,299	
df	7	
Asymp. Sig.	0,000	

Table 45: Kruskal-Wallis H Test of Foreign Direct Investment, Net Inflows (BoP, current US\$) Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The Kruskal-Wallis H test, employed to investigate the differences in Foreign Direct Investment, Net Inflows (BoP, current US\$) amongst EU candidate countries, has yielded a chi-square value of 57.299. The derived p-value of .000 clearly falls below the conventional alpha level of 0.05, thus the null hypothesis is rejected. This statistically indicates pronounced disparities in the levels of FDI net inflows among the evaluated countries. The data places Türkiye with a mean rank of 75.40, suggesting a significantly distinct status in FDI net inflows compared to other candidates. It is imperative to conduct further analyses, with post-hoc procedures such as the Mann-Whitney U test, to identify the specific nature and implications of these differences for each country's economic landscape.

The distinct position of Türkiye, as indicated by the high mean rank, suggests a relatively more substantial volume of FDI net inflows compared to other countries in the set, which may reflect on its economic prospects and progress towards meeting the Copenhagen economic criteria.

4.6.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,5 5,5	15,4 5,6
Sum of Ranks	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	155,0 55,0	154,0 56,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	0,00	0,00	0,00	0,00	0,00	0,00	1,00
Wilcoxon W	55,00	55,00	55,00	55,00	55,00	55,00	56,00
Z	-3,780	-3,780	-3,780	-3,780	-3,780	-3,780	-3,704
A symp. Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b

Table 46: Mann-Whitney U Analysis of Foreign Direct Investment, Net Inflows (BoP, current US\$): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis presented in Table 46 highlights statistically significant differences in Foreign Direct Investment (FDI) net inflows (BoP, current US\$) between Türkiye and other EU candidate countries. The consistent ranking of Türkiye at 15.5 across comparisons with all other candidate countries indicates that Türkiye has higher FDI net inflows compared to these countries. The results from the Kruskal-Wallis T test, with a p-value of less than 0.05, further confirm the presence of significant differences in FDI net inflows among the countries. Specifically, Türkiye's FDI net inflows are notably distinct, suggesting that it has been more successful in attracting foreign investment compared to other candidate countries during the period under study. This finding aligns with the hypothesis that Türkiye is in a better position than other candidate countries in completing the Copenhagen economic criteria of the European Union, particularly in terms of economic capacity to attract foreign investment.

4.6.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	-0,554	-0,697*	-0,400	-0,293	-0,260	-0,628	0,490	0,037	1
Sig. (2-tailed)	0,096	0,025	0,252	0,411	0,469	0,052	0,151	0,920	
N	10	10	10	10	10	10	10	10	10

Table 47: Correlation Matrix of Foreign Direct Investment, Net Inflows (BoP, current US\$) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The correlation matrix for FDI Net Inflows indicates diverse economic interactions between the EU and EU candidate countries. Notably, Bosnia and Herzegovina exhibit a negative correlation ($r = -0.697$, $p < 0.05$), suggesting an inversely proportional FDI relationship with the EU. This could indicate that as EU's FDI inflows increase, Bosnia and Herzegovina's decrease. Conversely, Türkiye displays a moderate positive correlation ($r = 0.490$), albeit not statistically significant ($p = 0.151$), which may suggest some alignment in investment trends with the EU.

4.7. Inflation, Consumer Prices (annual %)

4.7.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,01	0,07	0,0225	0,01593
Bosnia and Herzegovina	10	-0,02	0,14	0,0141	0,04583
Moldova	10	0,03	0,29	0,0778	0,07586
Montenegro	10	-0,01	0,13	0,0233	0,03972
North Macedonia	10	0,00	0,14	0,0242	0,04317
Serbia	10	0,01	0,12	0,0369	0,03505
Türkiye	10	0,07	0,72	0,1786	0,19572
Ukraine	10	0,00	0,49	0,1400	0,13516
European Union	10	0,00	0,09	0,0182	0,02602
Valid N (listwise)	10				

Table 48: Descriptive Statistics of Inflation, Consumer Prices (annual %) for EU Candidate Countries
Sources: World Bank, World Development Indicators

The table’s descriptive statistics for annual consumer price inflation among EU candidate countries and the European Union indicate distinct inflationary patterns. Türkiye shows the highest average inflation rate, significantly diverging from the EU’s average, suggesting it faces unique inflationary pressures potentially tied to domestic economic factors or policy decisions. Moldova presents the widest range of inflation, highlighting possible economic volatility or transitional dynamics. In contrast, the European Union maintains a relatively stable inflation environment with lower variation, as demonstrated by the modest standard deviation.

4.7.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	31,70
Bosnia and Herzegovina	10	17,90
Moldova	10	54,10
Montenegro	10	28,70
North Macedonia	10	26,10
Serbia	10	37,90
Türkiye	10	67,10
Ukraine	10	60,50
Total	80	

Test Statistics ^{a,b}	
Chi-Square	41,372
df	7
Asymp. Sig.	0,000

Table 49: Kruskal-Wallis H Test of Inflation, Consumer Prices (annual %) Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The Kruskal-Wallis H test was conducted to investigate variations in inflation rates, measured by Consumer Prices (annual %), among EU candidate countries. The analysis concluded with a chi-square value of 41.372 and a p-value of .000, significantly beneath the alpha level of 0.05, thereby rejecting the null hypothesis. This rejection indicates discernible differences in the annual percentage of consumer price inflation between the countries. The data notably positions Türkiye with a mean rank of 67.10, suggesting that its inflation rate for consumer prices diverges markedly from other candidate countries.

4.7.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	15,5 5,5	14,9 6,1	14,2 6,8	14,9 6,1	14,9 6,1	14,8 6,2	10,9 10,1
Sum of Ranks	155,0 55,0	149,0 61,0	142,0 68,0	149,0 61,0	149,0 61,0	148,0 62,0	109,0 101,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	0,00	6,00	13,00	6,00	6,00	7,00	46,00
Wilcoxon W	55,00	61,00	68,00	61,00	61,00	62,00	101,00
Z	-3,780	-3,326	-2,797	-3,326	-3,326	-3,250	-0,302
A symp. Sig. (2-tailed)	0,000	0,001	0,005	0,001	0,001	0,001	0,762
Exact Sig. [2*(1-tailed Sig.)]	0,000 ^b	0,000 ^b	0,004 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,796 ^b

Table 50: Mann-Whitney U Analysis of Inflation Consumer Prices (annual %): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U test results for the annual inflation rates indicate a statistically significant difference between Türkiye and other EU candidate countries, with Türkiye typically ranking higher in inflation rates, reflected by higher mean ranks. The only exception

is the comparison with Ukraine, where the significance level is not breached ($p > 0.05$), suggesting no discernible difference between the two countries' inflation rates.

4.7.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,960**	0,994**	0,883**	0,964**	0,982**	0,862**	0,983**	0,009	1
Sig. (2-tailed)	0,000	0,000	0,001	0,000	0,000	0,001	0,000	0,980	
N	10	10	10	10	10	10	10	10	10

Table 51: Correlation Matrix of Inflation Consumer Prices (annual %) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The correlation matrix shows that, with the exception of Ukraine, there's a very strong and statistically significant positive correlation between the inflation rates of the EU candidate countries and the European Union. Ukraine's inflation rates, however, do not show a significant correlation with the EU, implying different inflationary influences or economic conditions.

4.8. Real Interest Rate (%)

4.8.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	-0,03	0,10	0,0494	0,03414
Bosnia and Herzegovina	10	-0,08	0,07	0,0193	0,04177
Moldova	10	-0,06	0,10	0,0356	0,04481
Montenegro	10	-0,06	0,08	0,0364	0,04077
North Macedonia	10	-0,02	0,06	0,0311	0,02305
Serbia	10	-0,04	0,08	0,0200	0,04106
Türkiye	10	-0,77	0,12	-0,0294	0,26644
Ukraine	10	-0,12	0,12	-0,0052	0,08660
Valid N (listwise)	10				

Table 52: Descriptive Statistics of Real Interest Rate (%) for EU Candidate Countries

Sources: World Bank, World Development Indicators

The descriptive statistics for Real Interest Rate (%) highlight that Türkiye stands apart with a mean real interest rate notably lower than that of other EU candidate countries, and with a significantly higher standard deviation. This suggests not only that Türkiye has experienced periods of negative real interest rates but also considerable volatility in its interest rate environment. In contrast, other nations exhibit relatively modest fluctuations around a mean that is closer to zero, indicating a more stable interest rate scenario during the period observed.

4.8.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	52,70
Bosnia and Herzegovina	10	34,00
Moldova	10	42,70
Montenegro	10	44,60
North Macedonia	10	38,00
Serbia	10	34,20
Türkiye	10	47,80
Ukraine	10	30,00
Total	80	
Test Statistics ^{a,b}		
Chi-Square		7,819
df		7
Asymp. Sig.		0,349

Table 53: Kruskal-Wallis H Test of Real Interest Rate (%) Indicator Among EU Candidate Countries
Sources: World Bank, World Development Indicators

In light of the Kruskal-Wallis H test results, with a p-value of .349 surpassing the customary alpha level of 0.05, the null hypothesis—postulating no significant difference in Real Interest Rates (%) among EU candidate countries—stands unrefuted. This outcome indicates a homogeneity in monetary conditions among the countries analyzed, with Türkiye's situation regarding real interest rates aligning with those of the other EU candidates. The congruence among these nations' real interest rates potentially reflects parallel economic and monetary policy frameworks. Consequently, due to the lack of significant findings from the Kruskal-Wallis test, it is deemed unnecessary to proceed with the Mann-Whitney U test for pairwise comparisons.

4.9. Unemployment, Total (% of Total Labor Force)

4.9.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,11	0,18	0,1415	0,02327
Bosnia and Herzegovina	10	0,14	0,28	0,2069	0,05787
Moldova	10	0,02	0,05	0,0388	0,00920
Montenegro	10	0,15	0,20	0,1695	0,01475
North Macedonia	10	0,15	0,29	0,2171	0,05318
Serbia	10	0,09	0,22	0,1394	0,04527
Türkiye	10	0,09	0,14	0,1102	0,01510
Ukraine	10	0,07	0,25	0,1053	0,04981
European Union	10	0,06	0,11	0,0835	0,01854
Valid N (listwise)	10				

Table 54: Descriptive Statistics of Unemployment, Total (% of Total Labor Force) for EU Candidate Countries

Sources: World Bank, World Development Indicators

The statistics for Unemployment Rates as a percentage of the total labor force across EU candidate countries and the European Union reveal varying levels of labor market challenges. Albania, Bosnia and Herzegovina, and North Macedonia show higher mean unemployment rates, indicating potentially greater labor market constraints or economic transitions. Türkiye and Ukraine have lower mean rates, closer to the EU's average, which is the lowest in the dataset, suggesting a relatively more stable labor market. The standard deviations reflect the fluctuation levels within each country's unemployment rate over the observed period.

4.9.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	43,25
Bosnia and Herzegovina	10	62,20
Moldova	10	5,50
Montenegro	10	56,25
North Macedonia	10	65,50
Serbia	10	40,40
Türkiye	10	28,50
Ukraine	10	22,40
Total	80	
Test Statistics^{a,b}		
Chi-Square	56,448	
df	7	
Asymp. Sig.	0,000	

Table 55: Kruskal-Wallis H Test of Unemployment, Total (% of Total Labor Force) Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

When scrutinizing the results of the Kruskal-Wallis H test for the variable of Unemployment, Total (% of Total Labor Force), it becomes clear that the sigma value (p-value) is below the 0.05 threshold, standing at .000. This establishes that there is a statistically significant variance among the EU candidate countries with respect to unemployment rates. The chi-square statistic of 56.448 corroborates this observation and highlights the existence of heterogeneous labor market conditions within this group of countries.

4.9.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	6,8 14,2	15,5 5,5	15,5 5,5	5,5 15,5	5,5 15,5	8,9 12,1	13,8 7,2
Sum of Ranks	68,0 142,0	155,0 55,0	155,0 55,0	55,0 155,0	55,0 155,0	89,0 121,0	138,0 72,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	13,00	0,00	0,00	0,00	0,00	34,00	17,00
Wilcoxon W	68,00	55,00	55,00	55,00	55,00	89,00	72,00
Z	-2,797	-3,780	-3,780	-3,780	-3,780	-1,209	-2,495
A symp. Sig. (2-tailed)	0,005	0,000	0,000	0,000	0,000	0,226	0,013
Exact Sig. [2*(1-tailed) Sig.]	0,004 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,247 ^b	0,011 ^b

Table 56: Mann-Whitney U Analysis of Unemployment, Total (% of Total Labor Force): Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U test reveals a statistical differentiation in unemployment rates among EU candidate countries, with Türkiye demonstrating differences from most but not all—namely, Serbia. This aligns partially with the hypothesis that Türkiye is well-positioned in terms of the Copenhagen economic criteria related to employment levels. The lack of significant difference in unemployment rates between Türkiye and Serbia does not detract from Türkiye's overall comparative status, but rather underscores the complexity and multifaceted nature of economic criteria within the EU accession framework.

4.9.4. Correlation Analysis

	ALB	BIH	MOL	MNE	NMK	SRB	TR	UKR	EU
Pearson Correlation	0,930 ^{**}	0,964 ^{**}	0,541	0,801 ^{**}	0,964 ^{**}	0,976 ^{**}	-0,677 [*]	-0,475	1
Sig. (2-tailed)	0,000	0,000	0,107	0,005	0,000	0,000	0,031	0,165	
N	10	10	10	10	10	10	10	10	10

Table 57: Correlation Matrix of Unemployment, Total (% of Total Labor Force) Among EU Candidate Countries and the European Union

Sources: World Bank, World Development Indicators

The correlation matrix suggests that, except for Türkiye and Ukraine, unemployment rates in EU candidate countries are positively correlated with those in the European Union. This could be seen as reflective of the EU's influence and the extent to which candidate countries' labor markets emulate EU trends. Türkiye's moderately negative correlation with the EU's unemployment rates could imply that while EU membership criteria encourage convergence, variations in economic structure or policy responses lead to different outcomes, challenging the notion that EU transformation uniformly enhances economic performance in candidate countries.

4.10. Government Effectiveness

4.10.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,44	0,58	0,5245	0,04303
Bosnia and Herzegovina	10	0,12	0,40	0,2648	0,10307
Moldova	10	0,27	0,42	0,3460	0,05010
Montenegro	10	0,50	0,64	0,5703	0,04736
North Macedonia	10	0,47	0,56	0,5117	0,03043
Serbia	10	0,47	0,57	0,5317	0,02954
Türkiye	10	0,44	0,68	0,5442	0,08314
Ukraine	10	0,30	0,40	0,3494	0,03282
Valid N (listwise)	10				

Table 58: Descriptive Statistics of Government Effectiveness for EU Candidate Countries

Sources: World Bank, World Development Indicators

The Descriptive Statistics for Government Effectiveness among EU candidate countries indicate that Türkiye and Montenegro lead with the highest mean scores, suggesting comparatively stronger institutional structures and public service performance. The lower end of the spectrum is represented by Bosnia and Herzegovina and Ukraine, with mean scores reflecting challenges in government effectiveness. The standard deviations, particularly for Bosnia and Herzegovina, imply variability in the perceived effectiveness over time.

4.10.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	54,00
Bosnia and Herzegovina	10	10,20
Moldova	10	18,10
Montenegro	10	65,20
North Macedonia	10	48,45
Serbia	10	55,60
Türkiye	10	54,25
Ukraine	10	18,20
Total	80	
Test Statistics ^{a,b}		
Chi-Square		59,088
df		7
Asymp. Sig.		0,000

Table 59: Kruskal-Wallis H Test of Government Effectiveness Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

The analysis of the Kruskal-Wallis H test on the Government Effectiveness indicator among EU candidate countries reveals a significant disparity, as evidenced by a chi-square statistic of 59.088 and a p-value of .000. This clearly indicates a statistically significant

divergence in the measure of government effectiveness among the candidate countries. The p-value, being markedly lower than the conventional alpha level of 0.05, suggests that the null hypothesis—indicating no difference in government effectiveness between these countries—is rejected.

4.10.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	10,4 10,6	15,5 5,5	15,5 5,5	9,1 11,9	11,2 9,8	10,1 11,0	15,5 5,5
Sum of Ranks	104,0 106,0	155,0 55,0	155,0 55,0	91,0 119,0	112,0 98,0	100,5 109,5	155,0 55,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	49,00	0,00	0,00	36,00	43,00	45,50	0,00
Wilcoxon W	104,00	55,00	55,00	91,00	98,00	100,50	55,00
Z	-0,076	-3,780	-3,780	-1,058	-0,530	-0,341	-3,781
A symp. Sig. (2-tailed)	0,940	0,000	0,000	0,290	0,596	0,733	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,971 ^b	0,000 ^b	0,000 ^b	0,315 ^b	0,631 ^b	0,739 ^b	0,000 ^b

Table 60: Mann-Whitney U Analysis of Government Effectiveness: Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis for Government Effectiveness reveals no significant differences between Türkiye and several other EU candidate countries, including Albania, Montenegro, North Macedonia, and Serbia. This suggests that Türkiye's governmental structures and public service effectiveness are comparable to these nations. However, significant differences with Bosnia and Herzegovina, Moldova, and Ukraine imply variation in governance quality.

4.11. Political Stability and Absence of Violence/Terrorism

4.11.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,49	0,61	0,5492	0,04535
Bosnia and Herzegovina	10	0,29	0,45	0,3260	0,04491
Moldova	10	0,22	0,46	0,3473	0,06319
Montenegro	10	0,43	0,64	0,5070	0,06492
North Macedonia	10	0,33	0,57	0,4328	0,08741
Serbia	10	0,40	0,55	0,4710	0,05055
Türkiye	10	0,05	0,14	0,1022	0,02684
Ukraine	10	0,05	0,21	0,0904	0,04980
Valid N (listwise)	10				

Table 61: Descriptive Statistics of Political Stability and Absence of Violence/Terrorism for EU Candidate Countries

Sources: World Bank, World Development Indicators

The table showcases the varying degrees of Political Stability and Absence of Violence/Terrorism across EU candidate countries. Türkiye and Ukraine have notably lower mean scores, suggesting challenges in maintaining political stability and security. In contrast, countries like Albania and Montenegro exhibit higher average scores, indicating relatively more stable political environments. The standard deviations reflect the fluctuation in political stability over the observed period.

4.11.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	69,95
Bosnia and Herzegovina	10	29,50
Moldova	10	35,85
Montenegro	10	61,35
North Macedonia	10	50,45
Serbia	10	55,90
Türkiye	10	12,05
Ukraine	10	8,95
Total	80	
Test Statistics^{a,b}		
Chi-Square		66,410
df		7
Asymp. Sig.		0,000

Table 62: Kruskal-Wallis H Test of Political Stability and Absence of Violence/Terrorism Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

In the assessment conducted via the Kruskal-Wallis H test on the indicator of Political Stability and Absence of Violence/Terrorism, a critical chi-square value of 66.410 was observed, with a resulting p-value of .000. This statistical outcome, with a sigma value falling well beneath the 0.05 threshold, denotes a rejection of the null hypothesis and confirms significant variances among the EU candidate countries in terms of political stability and safety from violence or terrorism. Such differences underscore the distinct political environments and security situations prevailing in these countries.

4.11.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	5,5 15,5	5,5 15,5	5,5 15,5	5,5 15,5	5,5 15,5	5,5 15,5	12,1 9,0
Sum of Ranks	55,0 155,0	55,0 155,0	55,0 155,0	55,0 155,0	55,0 155,0	55,0 155,0	120,5 89,5
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	0,00	0,00	0,00	0,00	0,00	0,00	34,50
Wilcoxon W	55,00	55,00	55,00	55,00	55,00	55,00	89,50
Z	-3,780	-3,780	-3,782	-3,781	-3,781	-3,781	-1,173
A symp. Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,241
Exact Sig. [2*(1-tailed) Sig.]	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,000 ^b	0,247 ^b

Table 63: Mann-Whitney U Analysis of Political Stability and Absence of Violence/Terrorism: Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis reveals significant differences in Political Stability and Absence of Violence/Terrorism between Türkiye and other EU candidate countries, with Türkiye having lower ranks. This suggests that Türkiye faces greater challenges in this aspect compared to most of the candidate countries, except for Ukraine where no significant difference was observed.

4.12. Regulatory Quality

4.12.1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Albania	10	0,58	0,63	0,6060	0,01923
Bosnia and Herzegovina	10	0,45	0,50	0,4789	0,02085
Moldova	10	0,49	0,55	0,5126	0,01731
Montenegro	10	0,55	0,69	0,6315	0,04179
North Macedonia	10	0,60	0,70	0,6597	0,02707
Serbia	10	0,52	0,60	0,5593	0,03071
Türkiye	10	0,43	0,67	0,5632	0,07925
Ukraine	10	0,30	0,45	0,3841	0,05699
Valid N (listwise)	10				

Table 64: Descriptive Statistics of Regulatory Quality for EU Candidate Countries

Sources: World Bank, World Development Indicators

The statistics for Regulatory Quality among EU candidate countries indicate variability in the quality of regulations and policies. North Macedonia and Montenegro show the highest mean scores, suggesting stronger regulatory frameworks. In contrast, Bosnia and Herzegovina and Ukraine have lower averages, indicating potential areas for improvement. Türkiye's mean is in the mid-range but with a higher standard deviation, suggesting fluctuations in regulatory quality over the observed period. These differences highlight the diverse stages of regulatory development and governance among the candidate countries.

4.12.2. Kruskal-Wallis H Test

	N	Mean Rank
Albania	10	54,00
Bosnia and Herzegovina	10	18,15
Moldova	10	28,15
Montenegro	10	61,85
North Macedonia	10	71,00
Serbia	10	41,55
Türkiye	10	43,65
Ukraine	10	5,65
Total	80	
Test Statistics ^{a,b}		
Chi-Square	63,838	
df	7	
Asymp. Sig.	0,000	

Table 65: Kruskal-Wallis H Test of Regulatory Quality Indicator Among EU Candidate Countries

Sources: World Bank, World Development Indicators

An examination of the Kruskal-Wallis H test concerning the Regulatory Quality indicator across EU candidate countries reveals a substantial chi-square value of 63.838, and the sigma value, or p-value, is less than the 0.05 alpha level, specifically .000. This statistically significant finding necessitates the rejection of the null hypothesis, which posits no difference in regulatory quality among the nations under scrutiny. The results suggest notable variance in the ability of these countries to formulate and implement sound policies and regulations that permit and promote private sector development.

4.12.3. Mann-Whitney U Test

Ranks	TR ALB	TR BIH	TR MOL	TR MNE	TR NMK	TR SRB	TR UKR
Mean Rank	9,0 12,1	13,9 7,2	12,6 8,4	8,1 12,9	7,1 13,9	10,7 10,4	15,4 5,6
Sum of Ranks	89,5 120,5	138,5 71,5	126,0 84,0	81,0 129,0	71,0 139,0	6,5 103,5	154,0 56,0
Test Statistics	TR-ALB	TR-BIH	TR-MOL	TR-MNE	TR-NMK	TR-SRB	TR-UKR
Mann-Whitney U	34,50	16,50	29,00	26,00	16,00	48,50	1,00
Wilcoxon W	89,50	71,50	84,00	81,00	71,00	103,50	56,00
Z	-1,173	-2,534	-1,589	-1,816	-2,571	-0,113	-3,704
A symp. Sig (2-tailed)	0,241	0,011	0,112	0,069	0,010	0,910	0,000
Exact Sig. [2*(1-tailed) Sig.]	0,247 ^b	0,009 ^b	0,123 ^b	0,075 ^b	0,009 ^b	0,912 ^b	0,000 ^b

Table 66: Mann-Whitney U Analysis of Regulatory Quality: Türkiye vs. Other EU Candidate Countries

Sources: World Bank, World Development Indicators

The Mann-Whitney U analysis for Regulatory Quality reveals significant differences between Türkiye and certain EU candidate countries, suggesting variability in regulatory frameworks. For the tests where Türkiye is compared to other EU candidate countries in terms of Regulatory Quality, the null hypothesis (H0) is rejected when the p-value is less than 0.05.

Türkiye's regulatory quality is statistically similar to Albania, Moldova, Montenegro, and Serbia, indicating comparable levels of regulatory effectiveness. However, differences with other countries highlight the diverse regulatory landscapes within the region.

5. RESULTS AND EVALUATION

In this thesis, the performance of Türkiye and the candidate countries in complying with the Copenhagen economic criteria of the EU is analyzed comparatively based on the indicators and country reports published by the European Commission between 2013 and 2022. In selecting the date range, a 10-year span was deemed optimal, striking a balance between being neither too short nor too long. This timeframe allows for a comprehensive analysis, offering a broad perspective that extends beyond the most recent data. Simultaneously, it prevents significant changes from being obscured by overly long intervals. In the conclusion section, the performance of Türkiye, on the one hand, and other candidate countries, on the other, will be summarized and the hypotheses will be evaluated.

Following the establishment of the European Economic Community in 1957 and Türkiye's application for association on July 31, 1959, Türkiye's EU adventure has passed through complicated periods due to the nature of the relations. The association relationship gained a new momentum with the Ankara Agreement signed by Türkiye and the then European Economic Community on September 12, 1963, which accelerated Türkiye's progress towards full membership of the EU. On April 14, 1987, Türkiye separately applied for full membership to the European Community under Article 237 of the Treaty of Rome, Article 98 of the Treaty on the European Coal and Steel Community and Article 205 of the EURATOM Treaty. The EU Commission declared Türkiye eligible to join the Union and Türkiye was declared a candidate country at the Helsinki Summit in 1999. In the current situation, accession negotiations are de facto non-functional. Although it may be challenging to fully grasp Türkiye-EU relations from the brief chronology mentioned, it is evident that over the 65 years since 1959, Türkiye has endeavored to align itself with the EU in various political, legal, and economic areas, acting almost like a candidate country and undergoing a process of harmonization.

Twelve crucial indicators for meeting the Copenhagen economic criteria have been identified and analyzed in Chapters 3 and 4 of the thesis. The analysis in this thesis is grounded in the World Bank, World Development Indicator, focusing on twelve indicators that provide consistent and reliable data for each of the eight candidate countries from 2013 to 2022. These indicators are instrumental in evaluating the performance of the EU candidate countries in

complying with the Copenhagen economic criteria. The data, meticulously sourced from Eurostat and the World Bank, serve as the foundation for a comprehensive macroeconomic comparison. The economies of EU candidate countries were thoroughly scrutinized and compared based on these indicators, facilitating a comprehensive evaluation.

In terms of GDP in current dollars, annual GDP growth (%), and GDP per capita in current dollars, Türkiye is by far the best performing candidate country. Türkiye 's economy is approximately three times larger than the combined economies of the other candidate countries. Türkiye 's economic size demonstrates its capacity to be an influential player in the EU. It also highlights fiscal discipline and the development of labor markets. Although Türkiye's economic growth has decreased proportionally in the last 10 years due to the effects of the coup attempt, the COVID-19 pandemic, and the Russia-Ukraine war, which have affected both domestic and foreign conjuncture in recent years, it remains the leading country in terms of compliance with these three indicators. Türkiye has recovered well from the COVID-19 pandemic, significant growth. It is one of the rare countries that has managed a swift and efficient post-pandemic recovery. When analyzing the same indicators for other candidate countries, it is evident that their economies are smaller and less developed compared to Turkish economy. The candidate countries, except for Türkiye, have been directly affected by the ethnic conflicts in the Balkans and Russia's aggressive stance in the region. As a result, their economies have tended to contract from time to time due to the devastating impact of the COVID-19 pandemic.

An analysis of import and export data reveals that Türkiye has significantly increased the percentage of both imports and exports in the last decade. However, the rate of increase in exports has been lower than imports. The primary reason for this situation is the rise in energy imports. The import and export volumes of the countries show an upward trend, which can be attributed to the positive impact of the candidate countries' integration into the EU single market on their economic indicators. Additionally, the economic reforms implemented during the EU harmonization process should also be considered as an effective factor in the increase in import and export rates.

In Graph 6, Foreign Direct Investment (FDI) inflows (Balance of Payments, million USD) of Türkiye and other candidate countries are analyzed. The key to having a functioning market economy is to ensure that the country's economic policies and regulatory framework create a healthy business environment and gain the confidence of foreign investors. FDI is a

concrete indicator of the Copenhagen economic criteria, reflecting a country's economic stability and competitiveness. Türkiye has higher FDI rates compared to other candidate countries. Türkiye's large economic scale and portfolio investments are critical for attracting FDI. Over the years, Türkiye's FDI flows have seen fluctuations, with a notable decline to its lowest point in 2020, particularly following the peak year of 2015. This downturn was further impacted by the military coup attempt in 2016. The coup attempt in 2016, the significant decline in the value of the Turkish Lira, the increase in inflation, and the fluctuation in interest rates are the main reasons mentioned in other chapters of this thesis. Despite being affected by various political developments and economic fluctuations, Türkiye 's FDI in 2022 is approximately 1.4 times higher than the combined FDI of the other candidates.

Other important indicators analyzed in the thesis are inflation and unemployment rates. Türkiye's inflation rate has seen a substantial increase over the last decade, with significant spikes particularly in the years 2021 and 2022. The unemployment rates in Türkiye rose between 2019 and 2020, while the inflation rate reached high levels in the following years. Based on this information, it can be deduced that the Philips Curve model, which suggest an inverse relationship between inflation and unemployment, is not valid in the case of Türkiye. This is because the inflation rate increased while the unemployment rate decreased. This structural inflation may be due to exchange rate fluctuations, the CBRT's low interest rate policy, and high food and energy prices. In other candidate countries, unemployment rates generally declined, which can be attributed to falling inflation rates in line with the Phillips Curve model.

Another indicator analyzed in the thesis is real interest rates. In 2022, a general downward trend is observed, with the most significant decline in Türkiye 's negative real interest rates, frequently mentioned in the country reports published by the European Commission, are identified as a factor that disrupts the functioning of financial markets and increases vulnerabilities. To address negative interest rates, Türkiye has taken regulatory measures such as supporting the Turkish lira by reducing dollarization and alleviating inflationary pressures.

The last three chapters of the third section focus on the governance indicators of candidate countries. These indicators are included in the data analyzed in the thesis, based on the premise that a country's good governance will be reflected in its overall economic indicators.

A functioning market economy depends on both the government and the legal system supporting the economy.

An analysis of the governance indicators of the EU candidates reveals that the challenges faced by Türkiye in these areas, as well as the progress made by other candidate countries, are striking. In particular, Türkiye has experienced a significant decline in government effectiveness and the decrease in regulatory quality, indicating the need for a serious overhaul of its economic and political reform processes. In contrast, the other candidate countries have generally shown a trend of improvement in alignment with EU norms and standards.

The first hypothesis of this thesis posits that the economic performance of EU candidate countries undergoes transformation and gains positive momentum through the EU accession process. Based on the analysis of the eight indicators and the agreements signed with the EU, along with the increasing level of partnership of the candidate countries discussed in the third chapter, the transformative power of the EU holds critical importance for the economic performance of the candidate countries. Particularly in the Balkan countries, this process, initiated with Stabilization and Association Agreements, gained momentum with the various aid funds provided by the EU during the accession process. This support led to a positive increase in the growth rate, FDI, import, and export volume of these countries over the last decade. The second hypothesis of the thesis posits Türkiye is in a better position to fulfill the Copenhagen economic criteria compared to other candidate countries. The hypothesis is supported by the fact that the size of Türkiye's economy is approximately three times larger than the combined economies of the candidates, and its FDI is 1.4 times greater than the combined FDI of the other candidates.

In Chapter 4, to validate the conclusions drawn from the graphs and data, SPSS software was employed to perform Kruskal-Wallis and Mann-Whitney tests on 12 selected indicators for the period of 2013-2022. The objective was to rigorously assess Türkiye's standing compared to other EU candidate countries. These non-parametric tests were specifically chosen for their suitability in analyzing ordinal data and accommodating the non-normal distribution observed in some of the indicators, providing a robust statistical framework to evaluate differences in economic performance among the candidate countries under study.

The Kruskal-Wallis test, a one-way analysis of variance, was applied to compare multiple groups simultaneously, while the Mann-Whitney U test, a rank-sum test, was used for pairwise comparisons between Türkiye and other candidate countries of the EU. The analysis revealed that Türkiye demonstrated distinct economic characteristics compared to other candidate countries in several areas. For instance, Türkiye's GDP, GDP per capita, and FDI were higher, and it showed lower reliance on imports as a percentage of GDP. However, there were also areas where Türkiye's performance indicated challenges, such as higher inflation rates and lower scores in political stability and absence of violence/terrorism.

Subsequently, correlation analysis was conducted to examine the impact of the European Union's transformative power on the candidate countries path on the way of EU. This analysis aimed to assess the strength and direction of the relationship between the EU average and the indicators of candidate countries. The results generally supported the hypothesis that candidate countries' economies gain positive momentum during the accession process, as evidenced by positive correlations between the EU average and several economic indicators of the candidate countries.

In conclusion, the findings from the Kruskal-Wallis and Mann-Whitney U tests, along with the correlation analysis, partially validated the hypotheses. Türkiye's economic performance showed both alignment and divergence with the EU, reflecting its unique position among candidate countries. The positive correlations between the EU average and candidate countries' indicators suggest that the EU accession process fosters economic convergence and momentum. However, the nuanced outcomes also highlight the need for targeted reforms and policies to address specific areas of divergence and enhance readiness for EU integration.

The Copenhagen political criteria and the Copenhagen economic criteria are complementary. If a candidate country lacks mechanisms that guarantee democracy, the rule of law, and a liberal political order, it cannot sustain a properly functioning market economy within such a political framework. From the Turkish perspective, after the initiation of accession negotiations, Türkiye's comprehensive reform and democratization process have diminished, indicating a significant backsliding in terms of democratization, as noted by the European Commission. As a consequence of these circumstances, serious declines in good governance indicators have been observed. Despite the slowdown in the democratization process, thanks to the Customs Union, Türkiye has established legal systems for the proper

functioning of trade under the names of the Commercial Code, the Code of Obligations, and the Civil Code.

Despite recent debates over the trade policy and asymmetrical relationship issues, Türkiye has significantly benefited from the Customs Union decision of the Association Council in its EU harmonization and integration process. In the 29 years since the decision was made, Türkiye has aimed to increase its competitiveness while liberalizing its trade policy towards EU products through the Customs Union. Thanks to the liberalization of markets, the market share of Turkish production in Europe has expanded, and the trade volume has increased. The establishment of the Customs Union has led to enhanced competition within the Turkish market, resulting in the availability of higher quality, more affordable products, and a wider variety. Enhanced consumer protection has been achieved through the adoption of European technical standards.

The evidence from this study suggest that Türkiye is in a comparatively favorable position regarding compliance with the Copenhagen economic criteria. Another finding indicates that the EU harmonization process has positive effects on candidate countries' economies. It is essential to recognize that fulfilling the Copenhagen economic criteria alone is not sufficient to achieve full membership to achieve full membership. Furthermore, even if all criteria are met, Türkiye's membership will ultimately be subject a vote, necessitating the maintenance of positive relations in the political arena. The fundamental conclusion is that while Türkiye adequately meets the Copenhagen economic criteria, it is imperative to support economic reforms with a robust legal and institutional framework and to maintain a positive stance in foreign policy.

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