

Reconsidering preparedness for EU accession: The integration maturity of Slovenia and Croatia

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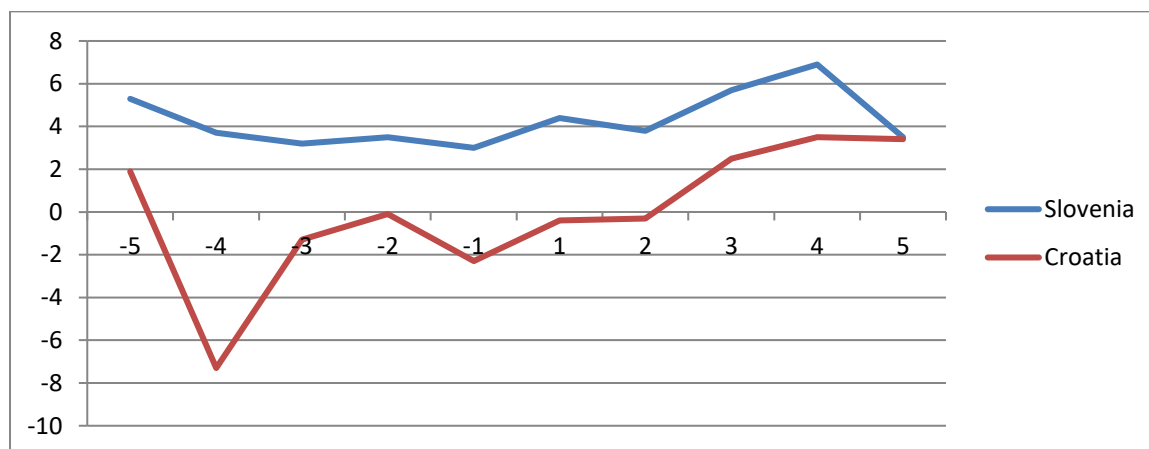
Why do some countries prosper in the EU after acceding, while others simply fall behind? We analyse the cases of Slovenia and Croatia based on the Integration Maturity Framework. The two countries follow the ‘most-similar case’ model, in that both emerged from Yugoslavia, and thus had relatively similar starting points.

The integration maturity framework holds that a country’s economic preparedness for membership can be analyzed based on five factors. This analysis gives a clearer sense of whether the country should push for membership in the short term, or whether more years of reform outside the EU would be optimal. The current accession process relies on a series of objective benchmarks of *acquis* compliance but does not necessarily guarantee actual convergence to follow.

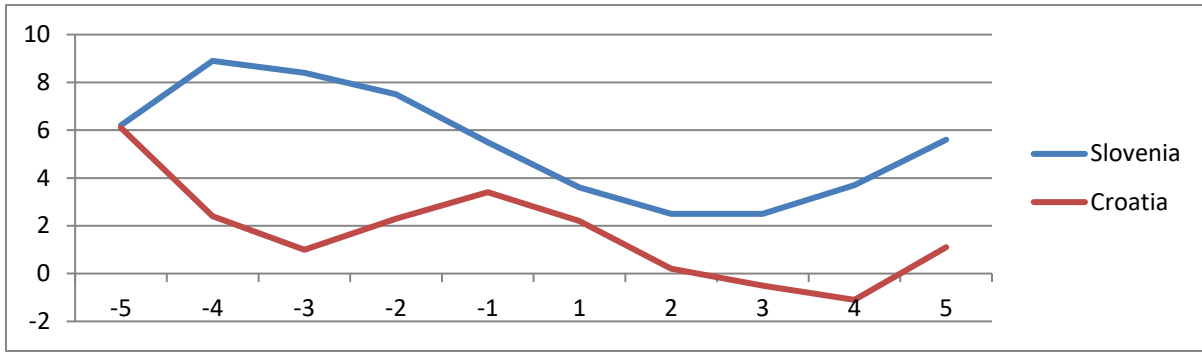
As we will show in the following, Slovenia was prepared when it joined in 2004, while Croatia still wasn’t at its accession in 2013. Its subsequent poor performance was therefore predictable.

Macroeconomic stability

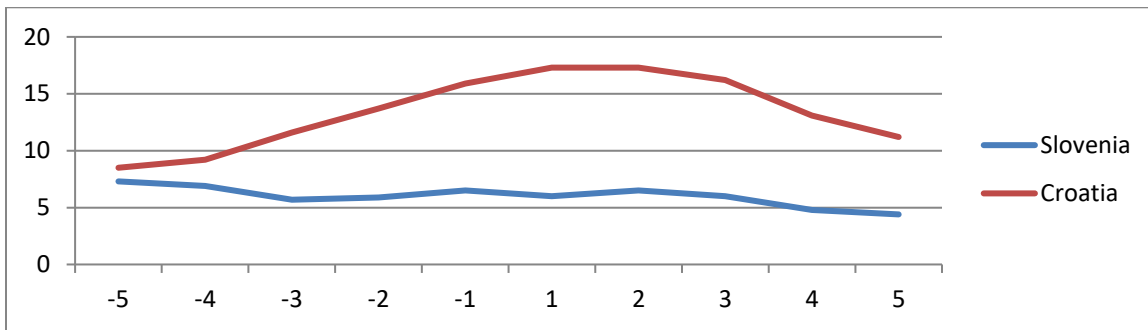
GDP growth rate



Inflation rate

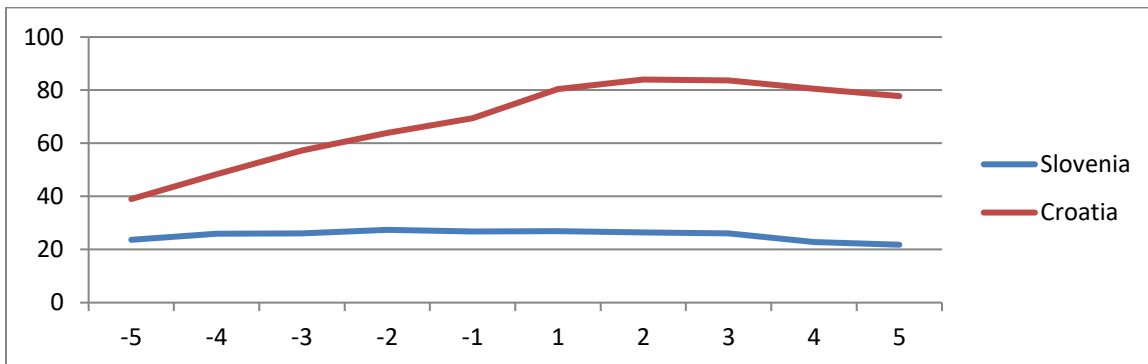


Unemployment rate

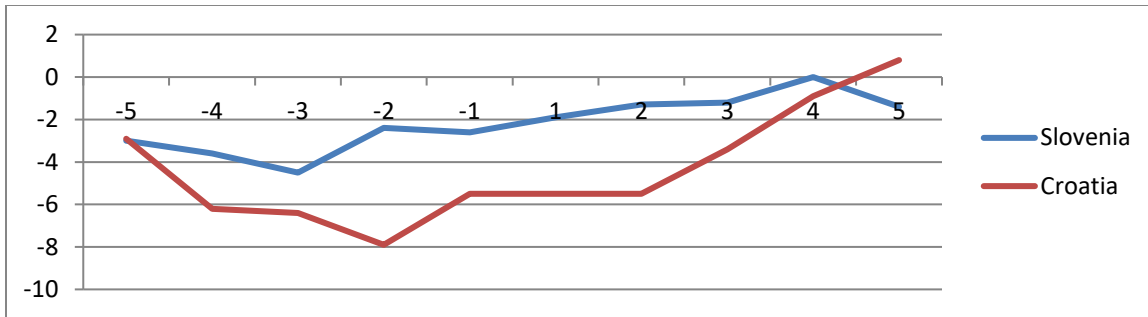


Croatia's declining unemployment rate post-accession is correlated with significant out-migration.

General government debt

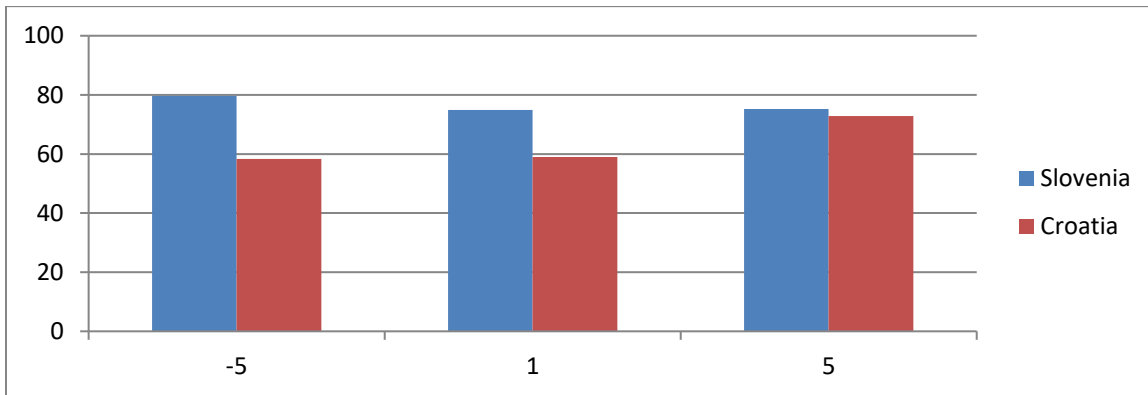


Budget deficit/surplus

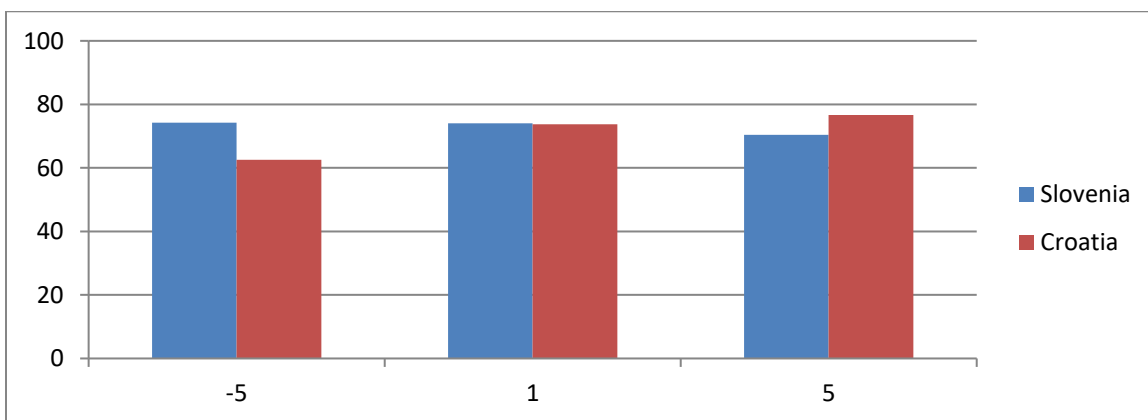


Functioning market economy

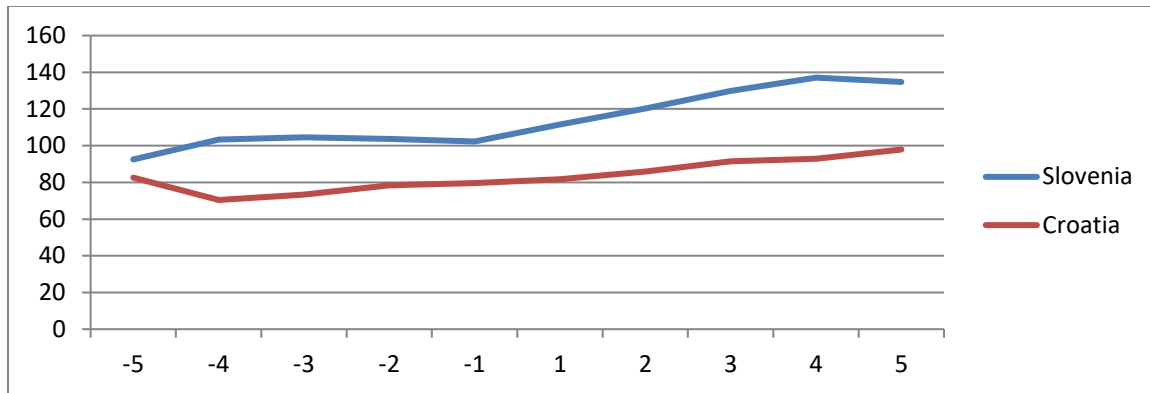
Exports to the EU (% of total trade)



Imports from the EU (% of total trade)

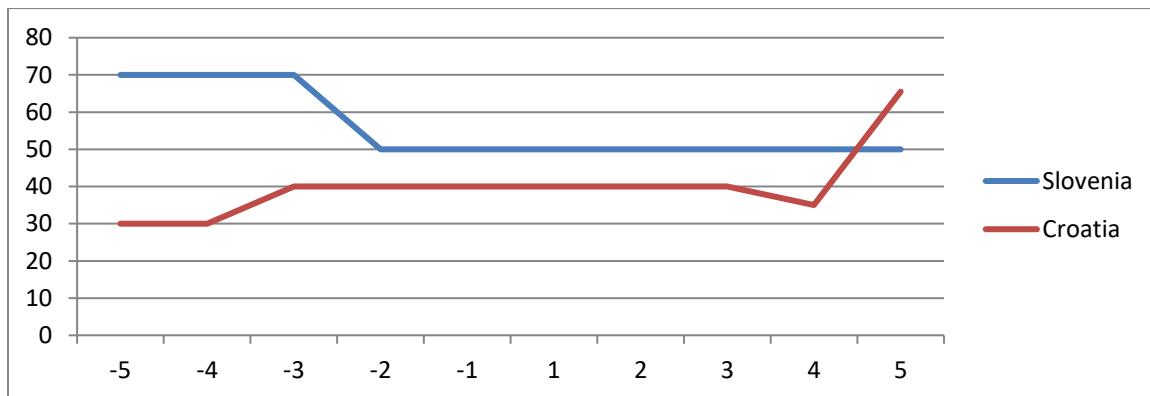


Economic openness



Average in the EU is about 130%.

Property rights



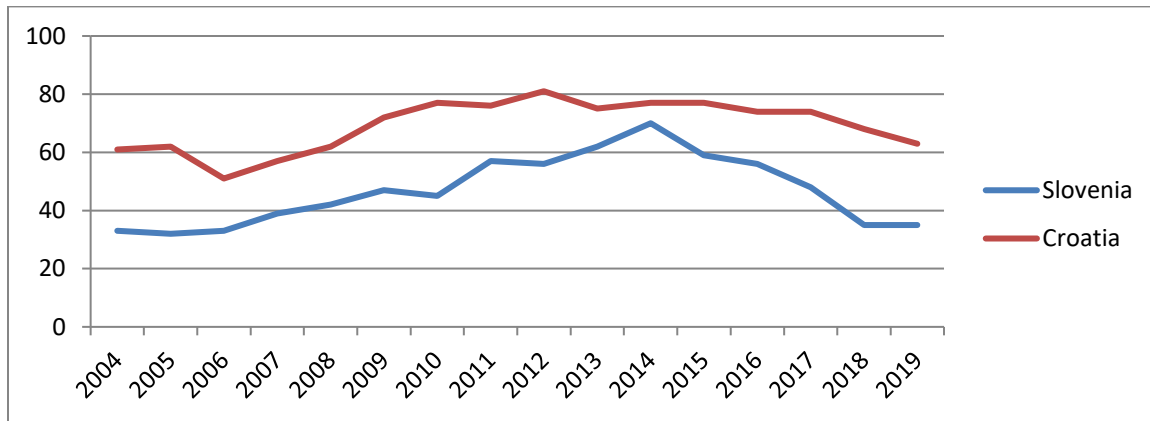
According to the EBRD transition indicators, both countries achieved price and trade liberalization and made a lot of progress in small scale privatization. Between 25 and 50 percent of large-scale enterprise assets in private hands or in the process of being privatized and the score was a little bit higher in Croatia than in Slovenia.

Competition policy legislation and institutions set up; some to substantial reduction of entry restrictions or enforcement action on dominant firms. – Croatia is a little bit better

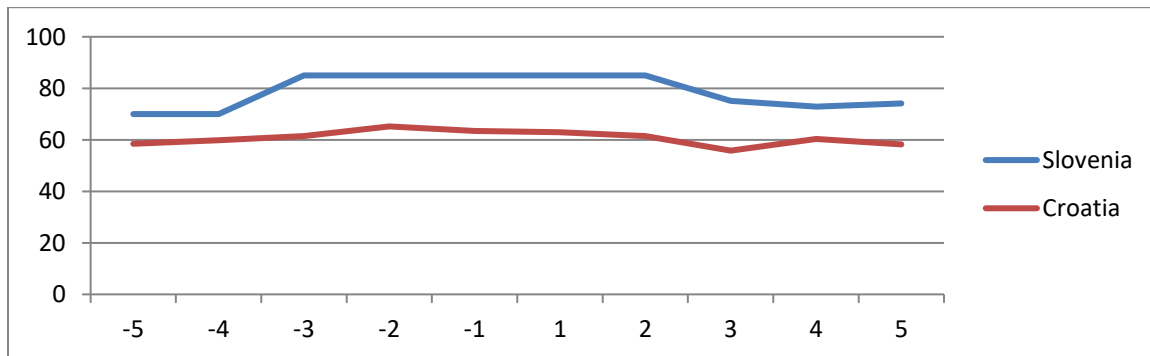
Both countries are members of the WTO

Competitiveness

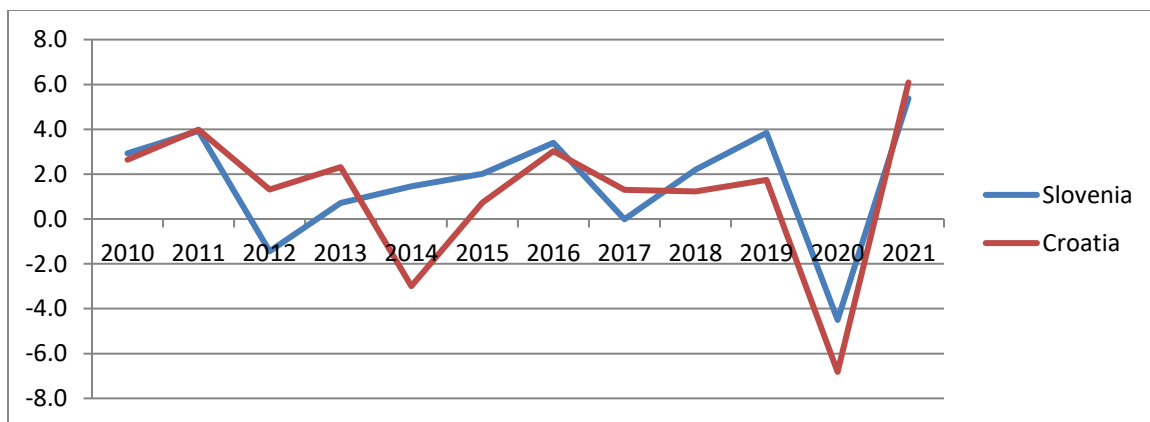
Global Competitiveness Index position



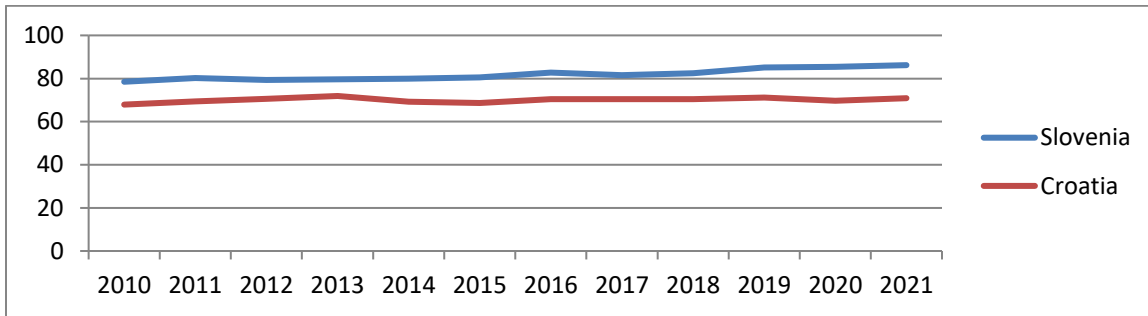
Business Freedom index



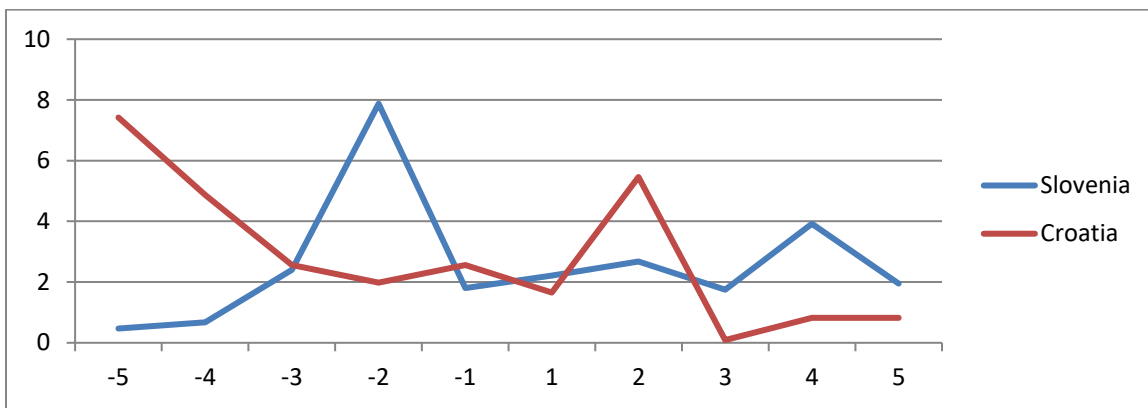
Labor productivity (annual growth)



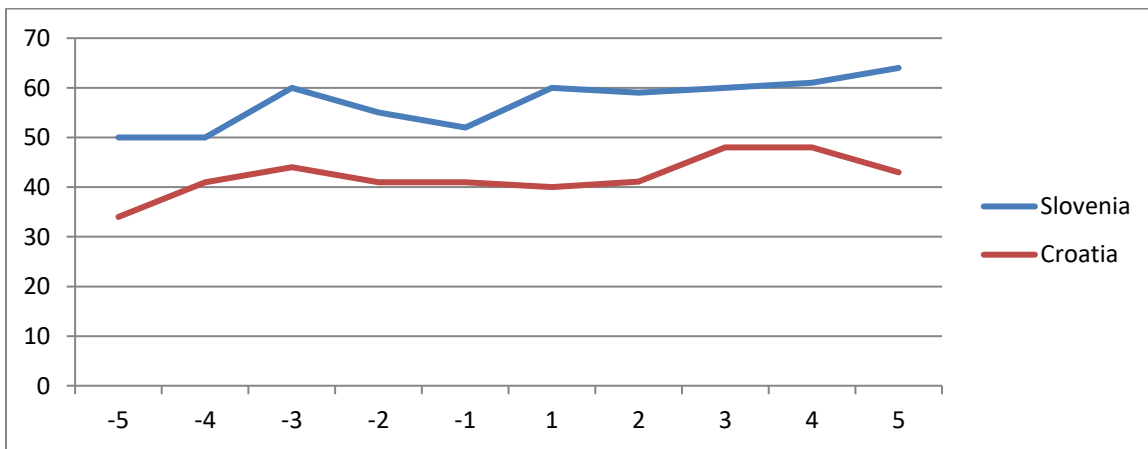
Labor productivity (% of the EU average)



FDI inflow (% of GDP)



Corruption (government integrity index)

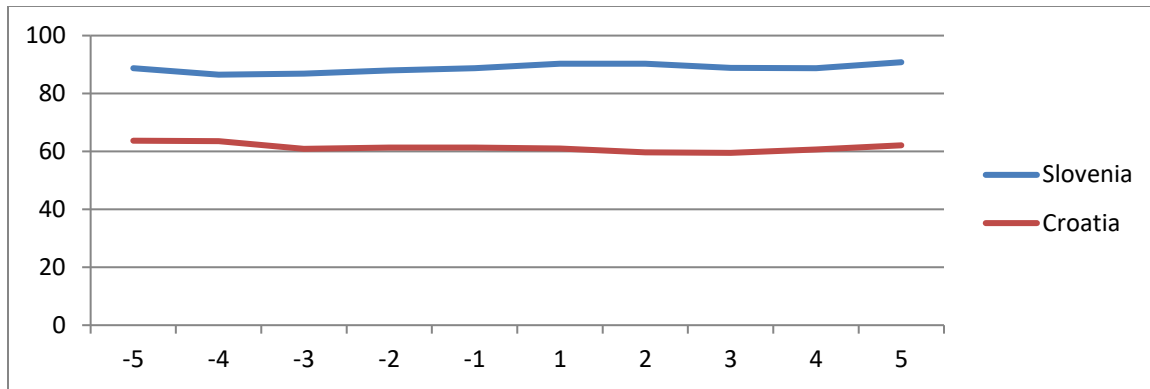


In 2008, the mean value in the EU was 63.1

The minimum value was 31 in Romania

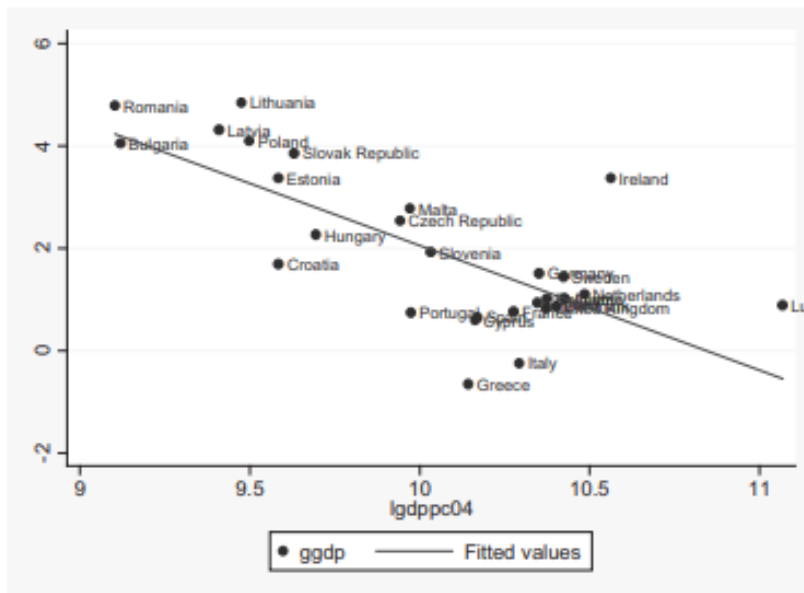
The maximum value was 96 in Finland

Convergence (minimum to average, GDP p/c)



X-axis: GDP p/c in 2004.

Y-axis: average growth rate 2004-2018



Croatia is not converging with newer member states. Its growth rate is more like that of the old EU15. Slovenia is not stellar, but its GDP p/c is higher than most new member states, and it grows faster than the old MS. Croatia has GDP p/c comparable to other newer members, but significantly lower growth rates. In short, it is not converging.

Conclusion:

Croatia performed worse on all these indicators than Slovenia did in a comparable time period five years prior to accession and five years after.

Croatia was not ready to join, but went ahead anyway. As a result, they have not benefitted greatly from integration the way Slovenia did. In fact, by most indicators, Croatia is the worst or second-worst performing member of the EU.

It shows that the EU approach to enlargement has its flaws, in that it assumes convergence to follow from the accession process, but inadequately measures the genuine readiness of the candidate to prosper. This finding is relevant today where both Western Balkan states as well as Georgia, Moldova and Ukraine are seeking membership.