

# ECONOMIC ASSESSMENT OF EU ENLARGEMENT

WESTERN BALKANS AND THE ENLARGEMENT TRIO

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## **COMMISSIONED BY**

MINISTRY OF ECONOMIC AFFAIRS

AMSTERDAM, 2-5-2025

# Findings

The accession of the Western Balkans and Ukraine, Moldova and Georgia to the European Union is estimated to yield small but positive real GDP increases for existing member states, including the Netherlands, due to gains from trade.

**The European Union (EU) is negotiating the accession of nine candidate member states to the EU single market: five in the Western Balkans and Ukraine, Moldova and Georgia ('Enlargement Trio').** Albania (candidate since 2014), Serbia (2012) and Montenegro (2010) have progressed the most in EU accession negotiations, while North Macedonia (candidate since 2005), Ukraine, Moldova and Bosnia and Herzegovina (candidates since 2022) are at the initial stages. Kosovo is formally not an EU candidate, but is often considered part of the Western Balkans enlargement group. Negotiations with Georgia, which has been a candidate since 2023, have effectively halted due to recent political developments.

**We have been asked to assess the economic effects of the (potential) accession of the Western Balkans and Georgia, Moldova, and Ukraine.** In particular, we have been asked to assess

- to what extent the candidate economies are complementary to the current single market and the Dutch economy in particular;
- what (Dutch) industries can expect new opportunities or increased competition; and
- what policies can help ensure that a level playing field is maintained?

Additionally, we have been asked to comment on the reallocation of factors of production such as labor and capital.

**We report the following:**

**The existing trade relation with the candidate countries is small and dominated by trade in goods with Ukraine and Serbia.** In 2023, total trade (both exports and imports) between the Netherlands and the nine candidate member states totaled €6.2 billion. Trade in goods reached €4.9 billion, or 0.4 percent of global Dutch trade in goods (€1.3 trillion), while trade in services neared €1.3 billion in 2021, or 0.3 percent of global Dutch services trade (€387.4 billion). Among candidate countries, Ukraine and Serbia are the Netherlands' largest trading partners, accounting for 54 percent and 28 percent of goods trade, respectively, and 49 and 23 percent of services trade with all candidate countries.

**Existing formal trade barriers are small.** As of 2025, existing applied tariffs to trade between the EU and the candidate member states range from 0.01 percent to 0.39 percent. This is (significantly) less than the tariffs applied to other key trading partners such as the United States or China. A similar image appears with respect to reported formal non-tariff measures (NTMs). Between the EU and the candidates, the number of reported formal NTMs is in the single digits, whereas it is higher for instance Türkiye, the United States and China (the last even exceeding 100).

**Most trade barriers faced by candidate countries in the EU market are instead NTMs applied globally.** These are largely tied with EU's stringent consumer protection and market harmonization policies. Naturally, accession to EU will eliminate existing NTMs with potentially relevant impacts at the product level. Yet, these NTMs will not disappear upon accession altogether. Instead they will become domestic regulatory requirements that member states need to transcribe into national law upon becoming a member of the EU. As a result, the primary challenge of acceding to the EU lies in ensuring full regulatory alignment and enforcement at the national level.

**Existing trade patterns suggest largely complementary comparative advantages for the Netherlands and candidate member economies.** In agrifood, both the Netherlands and, especially, Ukraine, Moldova and Georgia have high RCAs in exports to the EU. Serbia and Albania follow. Yet, a product-level disaggregation reveals very distinct export profiles, indicating limited direct competition in this field considering the prevailing trade dynamics and production capabilities. In other industries, the candidate member states display relatively high RCAs compared to the Netherlands – for example, Albania in footwear; Albania, Georgia and Moldova in textiles and clothing, Ukraine in wood and articles of wood, and Georgia, North Macedonia, Montenegro, Serbia and Ukraine in mineral products. In these industries, the competitive pressure on Dutch producers is also likely to be limited as they are already integrated in existing EU value-chains. Accession is thus likely to offer opportunities for sourcing lower-cost inputs. Interview partners largely corroborate this picture.

**We estimate the effects of EU accession using a gravity model of international trade.** Model estimates suggest that, if all nine candidate countries accede at the same time, the Dutch economy as well as existing EU members are to expand by between 0.00 and 0.01 percent of real GDP as a result of gains from trade. This estimate is broadly in line with the existing literature. More disaggregated estimates by industry show that the gains from trade effect is primarily driven by agricultural trade. For this particular (broad) industry, the estimated gains from trade effect for the Netherlands is around 0.1 percent of agricultural real GDP. However, given the comparatively modest size of this industry in the overall Dutch economy and trade, the overall GDP effect is (much) smaller. Welfare effects due to other industries are small but positive. The welfare effects for the acceding countries are larger than those for the Netherlands, in particular in our estimates up to 1.7 percent of GDP. These estimates are smaller than those estimated in other studies, which typically estimate welfare gains of between 3 to 5 percent.

**While our model does not produce quantitative estimates of the effect of accession on the reallocation of factors of production, we do provide a qualitative assessments of those effects.** Overall, we expect limited labor migration, largely on account of the fact that there already has been significant migration from the nine accession countries to the EU. To the extent that additional labor migration will take place, we deem it unlikely that such migration will be heavily skewed to the Netherlands as migration typically tends to follow established patterns of migration (in which the Netherlands currently does not feature eminently). Overall, we expect that expansion of the single market will contribute to more cross-border investment, limited reshuffling of value chains (as many of the candidates are already significantly integrated in European value chains), and enhanced economies of scale and competition in the single market.

**Overall, we assess the accession of the nine candidate member states to be predominantly complementary to the existing member states.** Existing member states are expected to enjoy small, but positive welfare gains, whereas acceding candidates stand to gain significantly. For the Netherlands, welfare changes are primarily accounted for by welfare changes due to agricultural trade. These welfare changes result from a combination of new export opportunities for Dutch producers, as well as better import opportunities and lower prices for Dutch consumers. In other industries, smaller opportunities may exist and we deem macro-economically significant additional and harmful competition to Dutch producers unlikely.

**As such, we also see little scope for policy interventions.** Accession of new member states forces these members to be compliant with the EU regulatory framework, thus helping to level the playing field. Accession of new member states spurs trade between these acceding countries and the existing member states. In some cases existing producers may see market prices change as a result. This, however, is not a market failure to be remedied, but instead the core mechanism that causes trade to be welfare enhancing. Buyers of goods and services can do so more cheaply, and the competitive pressures that the price mechanism induces ensures that production is efficient.

The fact that some of the acceding countries currently have an established comparative advantage in particular industries, for example agriculture, then is not a reason for policy to provide a counterbalance to this comparative advantage unless there is another distortion or market failure present. We have not documented those and would therefore advice caution pursuing policy interventions.

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# 1 Introduction

This report assesses the economic effects of the accession of the Western Balkans and Ukraine, Moldova and Georgia to the European Union.

## 1.1 Background and our assignment

### Background

**The European Union (EU) is negotiating the accession of candidate member states Albania, Bosnia and Herzegovina, Moldavia, Georgia, Montenegro, North Macedonia, Serbia, Kosovo, and Ukraine to the EU single market.** The EU accession process enables European countries to join the EU once they meet certain criteria set out under various EU treaties. Upon accession, candidate countries must eliminate customs duties and procedures, as well as tariffs for intra-EU trade and apply the EU's common tariffs for trade with non-EU countries. For within-EU trade, non-tariff measures (NTMs) are reduced through harmonization of standards and the EU's mutual recognition principle. Remaining NTMs are limited to proportionate, non-discriminatory measures typically for public health, safety, or environmental protection. As such, joining the EU should reduce trade and other economic frictions, implying an increase in welfare due to changing trade patterns and a reallocation of labor and capital towards their most productive locations.

**The candidate member states are at various stages in their accession trajectories.** Albania (candidate since 2014), Serbia (2012) and Montenegro (2010) have advanced the most in EU accession negotiations, while North Macedonia (candidate since 2005), Ukraine, Moldova and Bosnia and Herzegovina (candidates since 2022) are at the initial stages. Kosovo is formally not an EU candidate state but has received a EU perspective and is usually considered part of the Western Balkans enlargement group. Negotiations with Georgia, a candidate since 2023, have effectively halted due to recent political developments. Part of the progress towards EU integration includes the Commission's 2023 Growth Plan to boost socio-economic convergence with the EU. This plan focuses on deepening integration into the EU's single market, advancing regional economic integration, accelerating reforms, and providing €6 billion in pre-accession funding. Meanwhile, Ukraine, Moldova, and Georgia have benefited from liberalized trade with the EU through the 2014 Stabilization and Association Agreements (SAAs). The Commission adopted a Growth Plan for Moldova in 2024, similar to that for the Western Balkans, while Ukraine has received additional financial support for its war-torn economy through the Ukraine Facility. Both countries have also enjoyed significantly lower tariff and NTMs as a part of the Autonomous Trade Measures that have been in place since the start of the war in Ukraine in 2022.

### Our assignment

**We have been asked to assess the economic effects of the (potential) accession of Albania, Bosnia and Herzegovina, Moldova, Georgia, Montenegro, North Macedonia, Serbia, Kosovo and Ukraine.** In particular, we have been asked to assess

- to what extent the candidate economies are complementary to the current single market and the Dutch economy in particular;
- what (Dutch) industries can expect new opportunities or increased competition; and
- what policies can help ensure that a level playing field is maintained.

**We have been asked to predominantly focus on trade in goods and services.** To the extent possible, we have also been asked to comment on labor migration, other dynamic effects related to the single market freedoms

(goods, services, capital, people), and effects on the EU single market overall. We carried out our assignment in the first quarter of 2025.

## 1.2 Methodology and reader's guide

**Our assessment employs various sources.** In particular, we combine literature review and desk research, interviews, and descriptive statistics. Additionally, we perform model simulations of structural trade and (gains from trade) welfare changes. Our modelling framework is the structural gravity framework. This framework is the workhorse model in trade economics. For instance, it has been used to assess the effects of European integration<sup>1</sup>, as well as to estimate the effects of trade agreements and the EU internal market on the Dutch economy (both by CPB<sup>2</sup> and by us<sup>3</sup>). Given uncertainty regarding the accession trajectories of the candidate member states, we abstract from formally modelling transition dynamics, but comment on those qualitatively. To validate and contextualize our data-driven insights, we conducted interviews with 11 experts from the nine evaluated countries evaluated, at least one per country. These experts include economists and policy officers from the Dutch embassies in the respective EU candidate countries, as well as academics with proven expertise in the countries' economic landscapes, particularly in relation to EU accession.

**The remainder of this report is organized as follows.** Section 2 outlines current trade patterns and barriers based on descriptive statistics, desk research, and interviews, both in the aggregate and by industry. Section 3 reviews prior estimates of the accession of the candidate member states and the structural effects of the single market. Section 4 presents our model estimates. Section 5 discusses non-trade effects, predominantly related to migration.

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<sup>1</sup> See e.g., Head, K. & Mayer, T. (2021). The United States of Europe: A gravity Model Evaluation of the Four Freedoms. *Journal of Economic Perspectives* 35/2, 23-48.

<sup>2</sup> See e.g., Freeman, D., Meijerink, G., & Teulings, R. (2022). Trade Benefits of the EU and the Internal Market. The Hague, The Netherlands: CPB Netherlands Bureau for Economic Policy Analysis.

<sup>3</sup> See e.g., Oomes, N., Appelman, R., & Witteman, J. (2017). Impact of the EU-Ukraine Free trade Agreement on the Dutch Economy. SEO Amsterdam Economics.

## 2 Current trade and trade barriers

In 2023, bilateral trade between the Netherlands and accession candidates totaled €6.2 billion (0.4 percent of total Dutch trade), with goods accounting for 80 percent of it. Amongst the candidate countries, Ukraine is the Netherlands's largest trading partner (52 percent), followed by Serbia (28 percent), and remaining candidate countries (20 percent).

### 2.1 Current trade

#### 2.1.1 Aggregate trade

##### Trade in Goods

In 2023, trade in goods (exports and imports) between the Netherlands and the seven evaluated economies<sup>4</sup> neared €4.9 billion, or 0.4 percent of the country's total global trade in goods (€1.3 trillion). Ukraine (54 percent of total trade) and Serbia (28 percent) were the Netherlands's largest goods trading partners, representing over 80 percent of reported trade. North Macedonia (7 percent), Georgia (5 percent), Albania (3 percent) and Montenegro (1 percent) followed.

Since 2013, the Netherlands strengthened its trade ties with most of the acceding economies, with goods trade growing at an annualized rate of 3.1 percent: faster than the Netherlands's 2.4 percent global trade in goods growth. Notably, trade with Serbia, Albania, and North Macedonia grew the fastest, more than doubling over the past decade. Moldova and Georgia also experienced robust trade growth, while Montenegro and Ukraine showed comparatively slower progress.

The goods trade landscape between the Netherlands and these economies is dominated by the Manufacturing and Agriculture sectors. Ukraine and Montenegro have a strong focus on Agricultural products, with the sector accounting for 58 percent and 51 percent of their bilateral goods trade with the Netherlands, respectively. In contrast, Manufacturing goods lead merchandise trade with North Macedonia (84 percent), Serbia (71 percent), Georgia (68 percent), Albania (60 percent), and Moldova (59 percent).

##### Trade in Services

In 2021,<sup>5</sup> trade in services (exports and imports) between the Netherlands and the eight evaluated economies neared €1.3 billion, or 0.3 percent of the country's total global trade in services (€387.4 billion). Once again, Ukraine and Serbia were the Netherlands's largest services trade partners, representing 49 and 23 percent of reported bilateral trade among all candidate countries. Despite its smaller size, Kosovo was the third largest services trade partner with the Netherlands (9 percent), followed by Albania (6 percent), North Macedonia (5 percent), Georgia (4 percent), Moldova (3 percent), Montenegro (2 percent).

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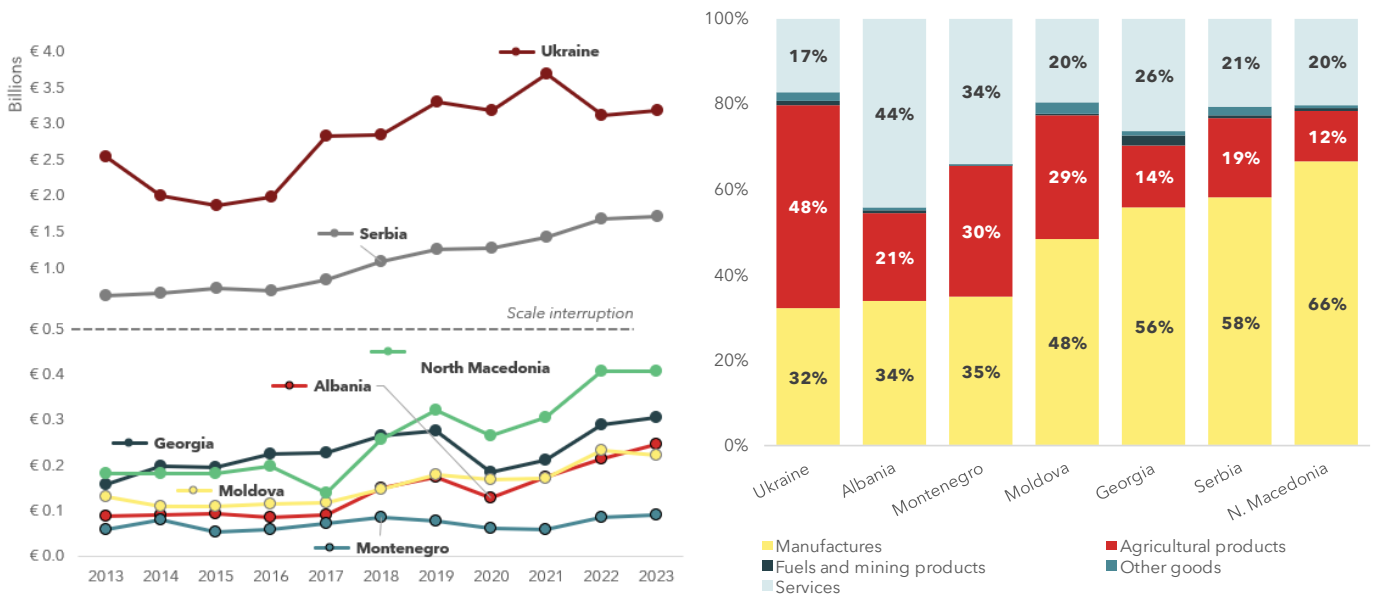
<sup>4</sup> No data was found for bilateral trade between the Netherlands and Kosovo.

<sup>5</sup> Most recent bilateral trade in services data.

Services trade with the selected partners has grown more slowly than the Netherlands' global services trade since 2013, indicating a relative shift away from these economies. However, growth trends among economies are diverse: countries like Albania and Serbia have doubled their services trade with the Netherlands since 2013, while others, such as Moldova, Georgia, and Montenegro, have seen declines. Services trade with Ukraine has fluctuated but stood at the same the level in 2021 as in 2013. Importantly, services trade for 2021 is still heavily influenced by the COVID-19 pandemic and the heterogeneous recovers across countries, while not including post-war dynamics. Newer data might uncover different patterns.

Breaking down services trade by sector, the majority falls under "Other Commercial Services," a broad category that includes construction, financial services, IT, and other business services. Notably, IT and business services account for 50–60 percent of services trade with the Netherlands for Serbia, Ukraine, Georgia, Kosovo, and North Macedonia. In contrast, transport and travel services, including tourism, dominate services trade with Albania, Montenegro, and Moldova.

Figure 2.1 Total bilateral trade between the Netherlands and the candidate member states (left); and trade patterns per major industry with the candidate member states, 2023 (right).



Source: SEO Amsterdam Economics based on bilateral goods trade data due to COMTRADE (accessed January 2025) and services trade data from OECD BATIS (accessed January 2025, data until 2021). Services trade for 2022–2023 was extrapolated using the growth rate of goods trade, which already includes war-time trade dynamics for Ukraine but likely underestimates total trade value in all other countries due to the faster post-pandemic recovery of services.

## 2.1.2 Industry competitiveness

We summarize broad patterns in trade competitiveness between industries and across destinations with indicators for Revealed Comparative Advantages (RCA). Additionally, we deepen our understanding of export patterns in Agriculture by disaggregating these product groups further into detailed products.

## Box 2.1 Understanding Revealed Comparative Advantages in the context of international trade

Revealed Comparative Advantage (RCA) is an economic metric distilled from Ricardian trade theory, which explains international trade patterns based on countries' relative productivity differences. While direct measurement of productivity differences across countries and industries is often impractical, RCA provides an accessible and data-driven method to infer these differences using trade data. Specifically, it compares the share of a particular product in a country's export portfolio with a specific partner or group of partners and the average share of world exports in that product to the partner. A country is considered to have a comparative advantage in exporting a product if its RCA index exceeds 1, indicating that it exports the product more intensively than the global average.

RCA is particularly useful for identifying a country's competitive strengths and weakness in international markets. This metric is widely used to assess how well a country is positioned in various sectors relative to global competition.<sup>6</sup> It helps highlight areas of specialization where a country has the potential to maintain or grow its market share. Conversely, RCA can also identify sectors where a country might be at a competitive disadvantage, signaling potential vulnerabilities. By tracking changes in RCA over time, analysts can detect emerging trends, such as shifts in competitive positioning due to technological advancements, trade policy changes, or evolving global demand.

This insight makes RCA an invaluable tool for both risk assessment and opportunity identification. For example, governments can use RCA analysis to inform strategic trade policies or prioritize investment in key sectors. Similarly, businesses can identify promising export markets or anticipate intensified competition in specific industries. In the context of trade negotiations, RCA can guide decisions about which sectors to protect or promote. Overall, RCA serves as a practical framework to navigate the complexities of international trade, offering a clearer understanding of where countries stand in the competitive landscape.

Source: SEO Amsterdam Economics.

**Table 2.1 shows the RCAs for Dutch exports to the world, the EU and the candidate member states.** The Netherlands has a comparative advantage in agrifood, both vis-à-vis the world and the EU, as well as in relation to the candidate member states. Other comparative advantages globally include e.g., chemicals, and plastics and rubber. In relation to specific candidate member states, some industries appear more or less competitive. For instance, miscellaneous manufactured articles have competitive RCAs in specific markets like Georgia and Serbia. Exports of wood and articles of wood are competitive in Albania; hides, skins and leathers in Georgia; and transportation equipment in Moldova, Serbia and Ukraine.

<sup>6</sup> See e.g., French, S. (2017). Revealed comparative advantage: What is it good for?. *Journal of International Economics*, 106, 83-103.

Table 2.1 RCAs for Dutch exports to the world, the EU and the candidate member states.

Sector	Reporter:		Netherlands								
	Partner:		World	EU (28)	Albania	Georgia	Moldova	North Macedonia	Montenegro	Serbia	Ukraine
Animal Products			2.3	2.1	3.0	3.0	1.5	2.0	5.8	3.2	2.8
Food Products			1.9	1.7	3.3	1.5	1.8	1.0	0.6	3.0	2.2
Vegetable Products			1.7	1.8	2.1	1.8	5.2	1.6	1.9	2.8	2.3
Mineral Fuels			1.6	1.3	0.3	0.1	0.2	0.0	0.0	0.1	1.6
Chemicals			1.4	1.2	1.3	1.1	1.1	5.6	2.6	1.0	1.0
Plastics and Rubber			1.1	1.1	0.2	0.9	0.6	0.7	0.3	0.9	0.9
Footwear			1.1	0.8	0.0	1.2	0.3	0.1	0.0	0.4	0.1
Misc. Manufactured Articles			0.9	0.9	0.7	2.6	0.8	0.3	0.3	1.9	0.3
Wood and Articles of Wood			0.8	0.7	3.1	0.2	0.4	0.4	0.2	0.5	0.9
Machinery and Electrical Equipment			0.8	0.9	0.6	1.6	0.6	0.5	0.3	0.7	0.5
Textiles and Clothing			0.8	0.6	0.3	0.9	1.1	1.3	0.2	0.4	0.4
Metals			0.8	0.8	0.4	0.4	0.3	0.1	0.1	0.3	0.4
Hides, Skins, and Leather			0.6	0.6	0.0	1.8	1.0	0.0	0.0	0.1	0.1
Transportation Equipment			0.5	0.5	0.7	0.7	1.9	1.0	0.4	1.3	1.2
Mineral Products			0.3	0.7	0.1	0.0	0.3	0.0	0.1	0.1	0.1
Articles of Stone, Glass, and Ceramics			0.2	0.3	0.1	0.3	0.2	0.0	0.0	0.2	0.1

Source: SEO Amsterdam Economics based on WITS (accessed January 2025).

**Table 2.2 compares RCAs between the Netherlands and the candidate member states for exports to the EU to show that the Netherlands shares some competitive advantages with candidate member states.** In agrifood, both the Netherlands, and especially Ukraine, Moldova and Georgia have high RCAs for exports of agrifood goods to the EU. Serbia and Albania follow. Also in other industries, the Netherlands shares high RCAs with candidate member states – e.g., Montenegro in mineral fuels, North Macedonia in chemicals, Albania in footwear, and Serbia in plastics and rubber. In other industries, the candidate member states display relatively high RCAs compared to the Netherlands – for example, Albania in footwear; Albania, Georgia and Moldova in textiles and clothing, Ukraine in wood and articles of wood, and Georgia, North Macedonia, Montenegro, Serbia and Ukraine in mineral products. In such industries, increases in competition for Dutch producers are less likely, but opportunities for cheaper imports by consumers and producers more.

Table 2.2 RCAs for Dutch and candidate member states' exports to the EU.

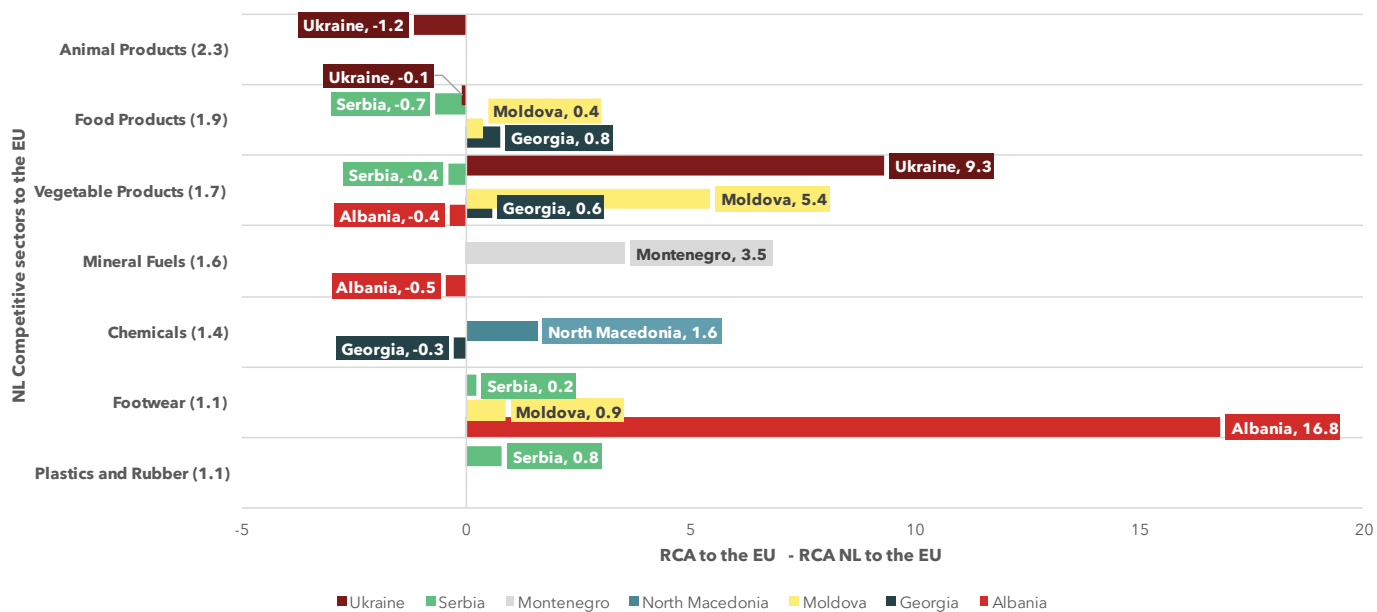
Sector	Reporter:	Netherlands	Albania	Georgia	Moldova	North Macedonia	Montenegro	Serbia	Ukraine
	Partner:	EU (28)							
Animal Products		2.28	0.87	0.1	0.09	0.1	0.01	0.08	1.11
Food Products		1.91	0.84	2.67	2.27	0.84	0.5	1.23	1.82
Vegetable Products		1.74	1.36	2.31	7.18	0.44	0.19	1.34	11.05
Mineral Fuels		1.56	1.1	0.51	0.08	0.45	5.1	0.79	0.07
Chemicals		1.35	0.06	1.07	0.04	2.93	0.14	0.42	0.14
Plastics and Rubber		1.05	0.47	0.4	0.22	0.33	0.04	1.85	0.17
Footwear		1.05	17.86	0.3	1.91	0.32	0.01	1.28	0.49
Misc. Manufactured Articles		0.88	0.33	0.46	1.08	0.89	0.11	0.99	0.67
Wood and Articles of Wood		0.84	1.15	0.63	0.5	0.12	0.67	1.68	2.65
Machinery and Electrical Equipment		0.84	0.42	0.11	1.12	1	0.1	1.32	0.43
Textiles and Clothing		0.79	5.51	3.18	3.33	1.87	0.03	1.11	0.57
Metals		0.76	1.85	0.28	1	0.82	1.91	1.32	1.41
Hides, Skins, and Leather		0.64	1.5	0.22	1.25	0.07	0.02	1.38	0.5
Transportation Equipment		0.52	0.07	0.06	0.07	0.34	0.15	0.51	0.09
Mineral Products		0.26	1.38	45.21	0.47	3.3	10.4	1.93	12.37
Articles of Stone, Glass, and Ceramics		0.15	0.32	0.31	1.52	0.27	0.15	0.6	0.46

Source: SEO Amsterdam Economics based on WITS (accessed January 2025).

**Figure 2.2 compares the Netherlands' and the candidate member states' RCAs in industries in which the Netherlands has a comparative advantage.** In many industries and vis-à-vis many of the candidate member states, the Netherlands has an RCA that is at least on par with the candidate countries. This does not hold true in all cases.

Notably, in vegetable products e.g., Ukraine has a higher RCA than the Netherlands and in footwear this is the case for Albania.

Figure 2.2 Competitiveness of candidate countries compared to Dutch competitiveness in exports to the EU – key sectors.



Note: RCAs showed are computed by deducting the Netherlands’ RCA in sectoral exports to the EU from reporter’s to compare relative competitiveness across countries. Only sectors where the Netherlands has a comparative advantage in exports to the EU are shown.

Source: SEO Amsterdam Economics based on WITS (accessed January 2025).

**A closer disaggregation of agricultural exports to the EU by product reveals a largely complementary – rather than competitive – trade relationship in agricultural goods.** For the acceding countries, 50 percent of their agricultural exports to the EU consist of cereals—primarily wheat, meslin, and maize (30 percent) – and sunflower seed, safflower, or cotton-seed oil (20 percent). These are sectors in which the Netherlands plays a minimal role, accounting for less than 1 percent of its total agricultural exports to the EU. Expanding the comparison further, we find that 70 percent of the acceding countries’ agricultural exports to the EU align with product categories that make up less than 4 percent of Dutch agricultural exports. In Appendix A a list of selected relevant agricultural products can be found.

**Interview partners comment on differences in industry competitiveness, flagging both opportunities and risks for the Dutch economy.** On the opportunities-side, interview partners note the benefits of supply chain integration, import opportunities (cheaper, better, and/or more varied), and cross-border entrepreneurship. On the risk-side, interview partners comment on differences in competitive potential.

**In particular, interview partners comment;**

**Agriculture presents opportunities for increased cooperation.** The agricultural sector plays an important role in all nine candidate member states and is (in those countries) predominantly labor-intensive and technologically underdeveloped. Opportunities arise in cooperation on primary sourcing and food processing, with further exports to EU member states for final consumption, as well as in horticulture. Interview partners comment, however, that to

achieve this, large investments in infrastructure and technological upgrades are needed, which are likely to occur in an event of a full EU accession.

**Further supply chain integration is possible in footwear and textiles, particularly in the Western Balkans.** For instance, Albania has a strong RCA in footwear and textiles exports to the EU, with many factories operating as subcontractors for prominent European brands, particularly Italian ones. These products often feed into larger supply chains, with final assembly and distribution occurring in EU countries. The interview participants further pointed to opportunities for textile and parts of clothing production in Serbia, Bosnia, Ukraine and Moldova, which are already integrated into the supply chains of European fashion brands, as well as in the automotive sector (i.e. interior textiles for cars).

**Interview partners also comment on minerals and energy.** Georgia has a competitive edge in mineral exports, particularly copper and precious metal ores, though its overall share in EU imports remains limited. Ukraine holds vast and largely untapped reserves of critical raw materials, such as titanium (the largest in Europe), lithium, gallium, copper, and zinc, crucial for industries like aerospace, medical technology, automotive, marine, and defense. Ukraine also has substantial potential for electricity exports from sustainable sources, including nuclear energy, solar panels, wind farms, and green hydrogen. Montenegro has historically been an exporter of bauxite (used for aluminum production), industrial minerals, and lignite coal, primarily for processing abroad, although its contribution remains marginal on a European scale. Serbia, meanwhile, possesses one of Europe's largest lithium reserves, a critical resource for the EU's green transition and the production of electric vehicle batteries.

**Experts highlighted Serbia's strong position in rubber and plastics exports, closely linked to its automotive sector—a backbone of the country's economy.** Notably, Serbia is home to major tire manufacturers like Tigar Tyres, a Michelin subsidiary that supplies tires for passenger cars, trucks, and industrial vehicles across Europe. Additionally, various suppliers produce car components such as seats, belts, cables, motors, and electronics for the EU market, as well as complete passenger vehicles like the Fiat 500L. While Serbia's automotive sector is currently closely integrated with Germany and France, its potential EU accession could unlock broader opportunities for other member states.

**The chemicals sector presents another opportunity.** Georgia exports nitrogen-based fertilizers and pesticides to the EU, primarily to Romania and to a lesser extent the Netherlands, where they are used to enhance soil fertility and protect crops in agricultural production. North Macedonia stands out as an exporter of chemicals, such as reaction initiators and catalysts, primarily destined for Germany's advanced manufacturing, petrochemical, and pharmaceutical industries. However, further integration opportunities may be limited, as several major companies in the region remain non-privatized and have suffered from a decade of underinvestment.

## 2.2 Current trade barriers

**Current trade patterns exist against the backdrop of existing trade barriers.** We summarize these barriers here, both for tariff and non-tariff measures. Tariff measures refer to taxes or duties imposed on imported or exported goods as they cross international borders. They are used by governments to generate revenue, protect domestic industries, or influence trade flows. These measures include ad valorem tariffs (a percentage of the good's value), specific tariffs (a fixed amount per unit), or a combination of both. NTMs are policy instruments other than tariffs that governments use to regulate international trade, including custom and border controls and procedures, technical regulations, quotas, subsidies, and import licensing. They can impact trade by creating compliance, transaction and information costs or restricting market access, often with the aim of safeguarding territorial integrity and achieving

policy objectives such as protecting public health, the environment, or domestic industries, but sometimes also with protectionism in mind.

## 2.2.1 Tariffs

In Table 2.3, we show the (trade weighted average<sup>7</sup>) applied tariffs between the EU and the candidate countries and compare them with five key trading partners of the EU (some selected for size and some proximity). In overall trade (exports and imports), Table 2.3 indicates that the candidate state trade currently faces comparatively low tariffs, with tariffs ranging from virtually no tariffs with Serbia to a 0.39 percent tariff with Moldova. These tariffs are low compared to those applied to EU trade with the five benchmark countries, such as an average 3.52 percent tariff for trade with China and a 1.57 percent tariff for trade with the United States. Comparing exports and imports reveals that EU exports generally face higher tariffs the imports. This trend also applies to EU exports to and imports from the candidate member states.

Table 2.3 Trade weighted average tariffs between the EU and candidate countries, and other key trade partners (in percent).

EU Trade			EU Exports			EU Imports		
Rank	Partners	Tariff (%)	Rank	Partners	Tariff (%)	Rank	Partners	Tariff (%)
1	China	3.52	1	China	5.10	1	China	2.85
2	USA	1.57	2	USA	1.58	2	USA	1.54
3	Norway	0.87	3	Türkiye	0.88	3	Norway	1.11
4	Türkiye	0.49	4	Rep. of Moldova	0.58	4	Albania	0.31
5	Rep. of Moldova	0.39	5	Norway	0.51	5	Türkiye	0.04
6	Albania	0.27	6	North Macedonia	0.36	6	Switzerland	0.02
7	Ukraine	0.18	7	Ukraine	0.30	7	Bosnia Herzegovina	0.01
8	North Macedonia	0.18	8	Albania	0.24	8	Serbia	0.00
9	Georgia	0.13	9	Montenegro	0.19	9	Rep. of Moldova	0.00
10	Montenegro	0.13	10	Georgia	0.16	10	North Macedonia	0.00
11	Switzerland	0.05	11	Switzerland	0.08	11	Ukraine	0.00
12	Bosnia Herzegovina	0.02	12	Bosnia Herzegovina	0.02	12	Montenegro	0.00
13	Serbia	0.01	13	Serbia	0.02	13	Georgia	0.00

Source: SEO Amsterdam Economics. Tariff data (latest available: 2024 for most countries) were retrieved from the WTO's [Tariff Download Facility](#), while trade data (latest available: 2023) were retrieved from the UN's [Comtrade Database](#) (both databases accessed January 2025). Trade and tariff data for Kosovo are not available. The estimates include both most-favored-nation (MFN) and non-MFN tariffs (including FTAs and other agreement), whichever is relevant for each product (if both types of tariffs apply, non-MFN tariffs are considered). Only ad-valorem (AV) tariffs are considered.

## 2.2.2 Non-tariff measures

NTMs are policy instruments other than tariffs that constitute barriers to trade by creating compliance, transaction and information costs or restricting market access. These can include custom and border controls and procedures, technical regulations, quotas, subsidies, and import licensing, among others, and are often associated with policy goals such as safeguarding territorial integrity and protecting public health, the environment, or domestic industries.<sup>8</sup>

<sup>7</sup> On a bilateral basis, different goods and services may be subject to different tariffs and not all goods and services will be traded equally. The trade weighted tariff is the average tariff after controlling (weighing) for differences in trade flows.

<sup>8</sup> [Introduction to NTMs | UN Trade and Development \(UNCTAD\)](#) For a detailed breakdown of the types of NTMs, see: [International Classification of Non-tariff Measures - 2019 version | UN Trade and Development \(UNCTAD\)](#)

Table 2.4 shows the total number of bilateral non-tariff measures (NTMs) imposed by the EU on eight candidate countries (excluding Kosovo due to lack of data) - and vice-versa - as well as on five benchmark trade partners. While the number of NTMs is an imperfect proxy for trade restrictiveness, it can still be useful to qualitatively describe the existing regulatory landscape. This table reveals that the EU imposes fewer NTMs on candidate countries compared to its other major trade partners. Serbia and Ukraine are the countries under the most NTMs. Conversely, NTMs imposed by candidate countries on the EU are almost exclusively SPS measures applied by Ukraine on EU countries, including the Netherlands. NTMs imposed by the can be found on five specific sectors, across different countries, as shown in Table 2.5.

Table 2.4 Number of NTMs between the EU and candidate countries, and other key trade partners.

Rank	Imposed by the EU		Imposed by partners on the EU		
	Partners	NTMs (#)	Imposing Partner	Affected Country	NTMs (#)
1	China	103	Ukraine	Netherlands	4
2	USA	19		France	3
3	Türkiye	13		Germany	6
4	Serbia	7		Spain	2
5	Ukraine	6		Slovak Republic	1
6	Switzerland	5		<b>Total</b>	<b>16</b>
7	Georgia	3			
8	North Macedonia	2	Albania, Georgia, Rep. of Moldova, Montenegro, North Macedonia (combined)	Netherlands	0
9	Norway	1		France	1
10	Bosnia Herzegovina	1		Germany	0
11	Rep. of Moldova	1		Spain	0
12	Albania	0		Slovak Republic	0
13	Montenegro	0		<b>Total</b>	<b>1</b>

Source: SEO Amsterdam Economics. Data (in force NTMs as of 31 December 2024) were retrieved from the WTO's [Integrated Trade Information Portal](#) (accessed January 2025). Data for Kosovo is not available. See: [International Classification of Non-tariff Measures - 2019 version](#) | UN Trade and Development (UNCTAD)

Table 2.5 Products affected by EU-imposed NTMs on candidate states.

Sector	Countries affected
Animal, Food and Vegetable Products	Georgia, North Macedonia, Serbia, Ukraine
Chemicals	Bosnia and Herzegovina, Georgia, North Macedonia, Serbia, Ukraine
Metals	Georgia, Moldova, North Macedonia, Serbia, Ukraine
Articles of Stone, Glass, and Ceramics	Moldova
Textiles and Clothing	Serbia

Source: SEO Amsterdam Economics. Data (in force NTMs as of 31 December 2024) were retrieved from the WTO's [Integrated Trade Information Portal](#) (accessed January 2025). Data for Kosovo is not available. There are no EU-imposed NTMs on Albania and Montenegro.

**Most trade barriers faced by candidate countries in the EU market are instead NTMs applied globally, covering all aspects of trade.** According to UNCTAD's Trade Analysis Information System (TRAINS) database, a total of 549 NTMs imposed by the EU globally have been registered. Nearly half of these relate to labelling, certification, and product-quality, safety, or performance standards, highlighting the EU's stringent consumer protection and market harmonization policies. Naturally, accession to EU will eliminate the existing NTMs with potentially sizable impacts at the product level.

Table 2.6 Products affected by EU-imposed NTMs on candidate states.

EU NTMs imposed worldwide	Count
Labelling requirements	88
Certification requirement	78
Product-quality, safety or performance requirement	72
Conformity assessment related to TBT, n.e.s.	40
Inspection requirement	36
Testing requirement	30
Packaging requirements	25
Import-monitoring, surveillance and automatic licensing measures	24
Non-automatic import-licensing procedures other than SPS and TBT chapters	14
Prohibition for non-economic reasons	13
Other NTMs	129
<b>Total number of NTMs</b>	<b>549</b>

Source: SEO Amsterdam Economics based on UNCTAD TRAINS database (Accessed January 2025).

**Yet, these NTMs will not disappear upon accession altogether.** Instead they will become domestic regulatory requirements that member states need to transcribe into national law upon becoming member of the EU. Candidate countries, especially in the Western Balkan, have been adapting to these standards to access the EU markets for years. As a result, the primary challenge of acceding to the EU lies in ensuring full regulatory alignment and enforcement at the national level.

## 3 Prior evidence

Prior assessments of EU enlargements suggest that existing member states can gain up to 10 percent of GDP per capita, while acceding states may see increases of up to 32 percent. The Netherlands benefits from participation in the Single Market, with long-term gains of up to 3 percent of GDP.

### 3.1 Summary of prior evidence

**Table 3.1 summarises prior evidence that shows that EU enlargement has consistently delivered economic gains to both old and new member states.** Estimates show that long-term GDP gains from EU integration range between 2 and almost 7 percent extra GDP on average. When new members join the EU, they not only gain access to the single market but also expand it, from which the existing EU member states also benefit. The gains are not realized solely through low-cost trade; compared to trade agreements, EU integration also facilitates factor movements (goods, people, and capital), harmonizes existing rules, and fosters convergence between members. This allows firms to scale production, achieve efficiency gains, and invest in production facilities in new member states (nearshoring). Ex-post estimates for the 2004 EU enlargement, which brought in 10 new members, suggest that the EU-15 states experienced up to a 10 percent increase in GDP per capita, while the acceding members saw an increase of up to 32 percent (Grassi, 2024; IMF, 2024). Regions already economically integrated with new members, such as Germany, and Austria, experienced the largest benefits, though even more distant regions saw positive effects (IMF, 2024).

Table 3.1 Overview of prior evidence on EU integration and enlargement.

Event	Countries	Ex-ante / ex-post	Effect	Effect size	Source
<b>EU integration*</b>	Netherlands	Ex-post	GDP (level) gains from trade	3.1% of GDP	(a)
		Ex-post	GDP (level) gains from trade	3.7% of GDP	(b)
		Ex-post	GDP (level) gains from trade	7.6-9.3% of GDP	(c)
	EU overall	Ex-ante	GDP (level) gains from four freedoms	4.5-6.5% of GDP	(d)
		Ex-post	GDP (level) gains from trade	2.1-4.4% of GDP	(b)
		Ex-post	GDP (level) gains from trade	6.6% of GDP	(i)
		Ex-post	GDP (level) gains from trade	4.4-5.5% of GDP	(c)
		Ex-post	GDP / capita gains from trade	20% in GDP / capita	(f)
<b>2004 Enlargement</b>	Netherlands	Ex-ante	GDP (level) gains from trade	0.1-0.2% of GDP	(g)
		Ex-ante	GDP (level) gains from four freedoms	0.2-0.7% of GDP	(g)
	EU-15	Ex-ante	GDP (level) gains from trade	0.1% of GDP	(h)
		Ex-ante	GDP (level) gains from trade	0.1% of GDP	(g)
		Ex-ante	GDP (level) gains from four freedoms	0.3-0.4% of GDP	(g)
		Ex-post	GDP (level) gains from trade and migration	0.04% of GDP	(i)
		Ex-post	GDP / capita gains from four freedoms	10% GDP / capita	(j)
		Ex-post	GDP / capita gains from four freedoms	32% GDP per capita	(l)
	Acceding member states	Ex-ante	GDP (level) gains from trade	3.1%-4.0% of GDP	(h)
		Ex-ante	GDP (level) gains from trade	1.0%-1.2% of GDP	(g)
		Ex-ante	GDP (level) gains from four freedoms	2.2%-3.1% of GDP	(g)
		Ex-post	GDP (level) gains from trade and migration	1.17% of GDP	(i)
		Ex-post	GDP / capita gains from four freedoms	15% GDP per capita	(k)
		Ex-post	GDP / capita gains from four freedoms	30% GDP per capita	(j)

Ongoing enlargement	Netherlands	Ex-ante	GDP (level) gains from trade	0.00%** of GDP	(m)
	EU-27	Ex-ante	GDP (level) gains from trade	0.01%** of GDP	(m)
	Albania	Ex-ante	GDP (level) gains from trade	4.2% of GDP	(m)
	Bosnia and Herzegovina	Ex-ante	GDP (level) gains from trade	4.7% of GDP	(m)
	Kosovo	Ex-ante	GDP (level) gains from trade	4.6% of GDP	(m)
	Montenegro	Ex-ante	GDP (level) gains from trade	3.7% of GDP	(m)
	North Macedonia	Ex-ante	GDP (level) gains from trade	3.5% of GDP	(m)
	Serbia	Ex-ante	GDP (level) gains from trade	3.3% of GDP	(m)
	Serbia	Ex-ante	GDP (level) gains from four freedoms	3.4% of GDP	(n)
	Ukraine	Ex-ante	GDP (level) gains from trade	4.3% of GDP	(o)

Source: SEO Amsterdam Economics based on (a) Freeman et al. (2022), (b) Mion and Ponattu (2019), (c) Mayer et al. (2019), (d) Cecchini et al. (1988), (f) Badinger (2005), (g) Breuss (2001), (h) Brown et al. (1995), (i) Caliendo et al. (2021), (i) 't Veld (2019), (j) IMF (2024), (k) Campos et al. (2014), (l) Grassi (2024), (m) Gómez et al. (2023), (n) Neck and Weyerstrass (2019), (o) Movchan & Shportyuk (2011).

\* Effects from being in/having the EU;

\*\* Western Balkans accession only; average effects on the EU weighted by economy size.

### As a small, open economy, the Netherlands benefits significantly from reduced trade costs with EU members.

Dutch GDP is estimated to be at least 3 percent higher today due to participation in the single market (Head and Mayer, 2021; Freeman et al., 2022). Moreover, up to 80 percent of the EU trade effect on added value can be attributed to the single market, which is double the total EU trade effect size. While ex-post estimates of the 2004 eastward enlargement's impact specifically on the Dutch economy are not available, the gains were expected to be around 0.2 percent on GDP from trade alone and up to 0.7 percent from free movement of factors.

### New EU members gain relatively more from EU membership, primarily through convergence in living standards and productivity.

Evidence from a long history of European enlargements points to substantial GDP per capita gains for acceding members. These gains result not only from increased trade within the bloc but also from structural reforms, productivity growth, innovation, higher educational attainment, and foreign direct investment. Recent IMF estimates suggest that EU membership directly increased GDP per capita by up to 30 percent for the countries that joined since 2004 in the first 15 years. Regions with higher levels of pre-accession integration experienced the most significant gains, exceeding 10 percent within the first five years of membership (IMF, 2024).

## 3.2 Interpretation of prior evidence

**The nine candidate member states are expected to experience economic gains from joining the EU.** Western Balkan countries that have progressed the most with the EU integration have already benefited from regional integration under the Central European Free Trade Agreement (CEFTA), which has boosted intra-regional trade by almost 40 percent since 2006 (Grieverson et al., 2021). EU membership could further realize long-term GDP gains of 3 to 5 percent upon accession (Gómez et al., 2023), with Bosnia and Herzegovina, Kosovo, Ukraine and Albania benefitting the most. Ukraine could further gain from conditional EU funding and FDI inflows during the post-war reconstruction (Darvas et al., 2024). While quantitative estimates for Georgia and Moldova are not yet fully available, their convergence to EU living standards and productivity is expected to be positive (Emerson et al., 2023; Deen et al., 2023).

**The gains for the Netherlands will likely be positive but limited.** A recent World Bank study shows that the potential accession of the Western Balkans will realize positive gains of up to 0.01 percent of GDP for the EU-27 and less so for the Netherlands. Given the geographical distance of the Netherlands to the nine evaluated countries and their relatively small economies size, except Ukraine, these effects will likely be subdued. Even in the case of Ukraine accession, the gains from trade alone will be constrained. For comparison, the EU Deep and Comprehensive Free Trade Agreement with Ukraine, the largest of the nine evaluated countries by population and total economy size, was projected to have a long-term effect of a 0.03 percent increase in the Dutch GDP through larger bilateral trade flows (Oomes et al., 2017), although that study employed a different estimation method subject to various assumptions.

## 4 Gravity model estimates of trade effects and welfare gains from trade

Gravity model estimates suggest gains from trade of between 0.00 and 0.01 percent of real GDP for the Netherlands and existing EU member states, and between 0.04 and 1.74 for the candidate member states.

**We estimate the gains from trade from EU accession of the candidate member states employing a gravity model of trade.** The gravity model is a workhorse model in trade economics. For instance, it has been used to assess the effects of European integration<sup>9</sup>, as well as to estimate the effects of trade agreements and the EU internal market on the Dutch economy (both by CPB<sup>10</sup> and by us<sup>11</sup>).

**Behind the gravity model's popularity is its straightforward intuition and strong empirical fitting.** This model posits that bilateral trade can be explained through a range of country-specific and pairwise factors that can be empirically measured and accurately modelled. These factors include (1) country-specific characteristics, such as economic size or productivity, (2) time-invariant pairwise characteristics, such as geographic distance or historical ties and, finally, (3) time-variant pairwise characteristics or 'trade costs': a catch-all variable capturing all frictions influencing cross-border trade over time.

**Importantly, trade costs can be empirically estimated from available trade data and subsequently modified to reflect policy developments.** In this case, we start by estimating the trade shock impact historically verified in previous EU accession. We then shock existing trade costs to reflect countries acceding to the EU and use the gravity model to simulate how trade structures are expected to adapt. These trade impulses are finally used as inputs in a one sector Armington-CES trade model that estimates the associated welfare, wage and price impacts. To estimate model parameters and to simulate the effects of the accession of candidate member states, we employ a novel dataset of disaggregated bilateral and within-country trade flow due to the United States International Trade Commission (USITC) - in particular ITPD-S (released December 2024). We also employ the Dynamic Gravity Dataset (DGD) with country- and country-pair characteristics due to USITC.

**Our modelling framework focusses on structural effects due to gains from trade.** This means that we abstract from transition dynamics, but instead focus on long-term outcomes. Furthermore, due to the fact that in the model we focus on gains from trade, we also abstract from dynamic effects related to a reallocation of production factors (i.e. labor and capital) between existing and future EU member states. This is a standard assumption within the gravity model framework as to isolate the welfare gains-from-trade-effect.

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<sup>9</sup> See e.g., Bussière, M., Fidrmuc, J., & Schnatz, B. (2005). Trade integration of Central and Eastern European countries: Lessons from a gravity model (No. 545). ECB Working paper.

<sup>10</sup> See e.g., Freeman, D., Meijerink, G., & Teulings, R. (2022). Trade Benefits of the EU and the Internal Market. The Hague, The Netherlands: CPB Netherlands Bureau for Economic Policy Analysis.

<sup>11</sup> See e.g., Oomes, N., Appelman, R., & Witteman, J. (2017). Impact of the EU-Ukraine Free trade Agreement on the Dutch Economy. SEO Amsterdam Economics.

**Another important consideration of our approach is that we rely on historical, ex-post estimates of the trade impacts of previous EU accessions to model how candidate countries might respond to accession today.** While this is a pragmatic strategy to abstract from the complex and often idiosyncratic dynamics of the accession process, it also means that country-specific circumstances –such as current geopolitical conditions or accession progress – may not directly be reflected in our projections. As a result, our estimates represent stylized scenarios based on precedent and model calibration, providing a benchmark of the expected long-term trade and welfare impacts.

**We consider different scenarios to isolate marginal as well as joint effects on trade and welfare.** This means that in our simulations, we consider both countries joining individually, as well as jointly or in blocs (either Western Balkan or Eastern Trio). Our headline results focus on welfare gains (real GDP) and trade effects.

**Section 4.1 below reports our estimation of the impacts of previous EU Accessions, section 4.2 reports aggregate effects and section 4.3 reports effects by industry.** We have performed a variety of robustness analyses. In particular, we have varied the number of countries and years included in the model, which yielded qualitatively and quantitatively similar results. Likewise, we have considered a variety of industry-level aggregations. We report effects for different aggregation levels (namely 3 and 17 industries), which yield qualitatively and quantitatively similar results. Last, underlying to the model are industry specific trade elasticities due to Fontagné, Guimbar and Orefice (2022). Estimating the model with a single fixed trade elasticity for all industries yields qualitatively similar estimates.

## 4.1 Previous EU Accession Impacts

**The impact of previous EU accession on bilateral trade was estimated and is presented in Table 4.1.** Overall, a country acceding to the EU can expect an average increase of 23.6 percent in its bilateral trade with the Union, corresponding to a 3.3 percent trade cost alleviation. This figure is consistent, but lower, than previous estimates found in the literature. For instance, Scott, Yotov, and Zylkin (2019) estimate a 4.4 percent reduction in trade costs, while Del Mar Gómez, Zárate and Taglioni (2023) assumed a 4 percent trade cost reduction.

**Sector-wise, agricultural trade records - by far - the highest increase from EU accession.** We estimate that bilateral trade in this sector increases on average by as much as 128 percent, equivalent to a trade cost reduction of almost 10 percent. Services record the second highest increase at an average 25.0 percent, while Manufacturing has historically been impacted the least at only 14.4 percent.

Table 4.1 Impact of EU Accession on bilateral trade

Sector	EU accession impact on Trade ( $\Delta\%$ )	Trade cost shock ( $\Delta\%$ )
All	23.6	3.3
Agriculture	128.2	9.7
Manufacturing	14.4	1.1
Services	25.0	4.5

Source: SEO Amsterdam Economics.

## 4.2 Aggregate effects

**Table 4.2 shows the estimated welfare (real GDP) effects for different accession scenarios.** For the Netherlands and the EU, no significant (>0.01 percent) welfare impact was found across all scenarios. For acceding countries, estimates range from 0.08 percent for Georgia to 0.74 percent for Albania. Estimates for the Netherlands and the EU are directly in line with findings from previous studies, such as Del Mar Gómez, Zárata and Taglioni (2023), who also estimated the trade-only welfare impact for the EU and the Netherlands at 0.01 and 0.00 percent, respectively. For acceding countries, our estimates are on the lower end compared with previous studies.

**Welfare impacts are consistently higher when countries join the EU alongside others from their bloc (Western Balkans or Enlargement Trio) compared to when acceding in isolation.** However, no significant changes are recorded when one bloc joins without the other. This suggests that expanding the single market by an entire region has additional economic benefits.

Table 4.2 Summary of GDP effects (percent of GDP) for all accession scenarios.

Country	Scenario	Welfare (Δ%)										
		All	Western Balkans	Enlargement Trio	Albania	Bosnia and Herzegovina	Montenegro	North Macedonia	Serbia	Georgia	Moldova	Ukraine
Albania		0.74	0.74		0.72							
Bosnia and Herzegovina		0.42	0.42			0.38						
Montenegro		0.48	0.48				0.46					
North Macedonia		0.41	0.40					0.37				
Serbia		0.72	0.71						0.67			
-		-	-	-	-	-	-	-	-	-	-	-
Georgia		0.08		0.08						0.07		
Moldova		0.71		0.70							0.66	
Ukraine		0.43		0.43								0.43
--		-	-	-	-	-	-	-	-	-	-	-
Netherlands												
EU(27)												

Source: SEO Amsterdam Economics.

## Box 4.1 Confidence intervals.

To explore the uncertainty surrounding our estimates, Table 4.3 reports bootstrapped confidence intervals for the estimated GDP effects for the scenario that all candidates join ('All join'). In all cases, zero is excluded from the confidence intervals so that we can reasonably expect effects to be non-zero. The size of the confidence intervals varies by country, but also generally scales with the estimated mean effect. Typically for the Western Balkans, the confidence intervals suggest variance of  $\pm 0.5$  percent around the mean estimate. For the Eastern Trio, this spread is typically smaller, say  $\pm 0.25$  percent. Effects for the Netherlands and the other existing Member States are very precisely estimated.

Table 4.3 Bootstrapped confidence intervals for GDP effects for the All join scenario.

Scenario	Welfare ( $\Delta\%$ )			
	Total	Agriculture	Manufacturing	Services
Country				
<b>Albania</b>	0.13 - 1.74	0.96 - 1.66	0.12 - 1.34	0.05 - 1.85
<b>Bosnia and Herzegovina</b>	0.14 - 0.82	2.28 - 3.74	0.14 - 1.47	0.01 - 0.30
<b>Montenegro</b>	0.05 - 1.09	5.79 - 8.81	0.13 - 1.35	0.03 - 1.05
<b>North Macedonia</b>	0.14 - 0.77	2.77 - 4.72	0.10 - 1.13	0.00 - 0.00
<b>Serbia</b>	0.19 - 1.53	2.45 - 4.22	0.24 - 2.51	0.03 - 1.07
<b>Georgia</b>	0.04 - 0.13	0.93 - 1.63	0.06 - 0.61	0.00 - 0.00
<b>Moldova</b>	0.46 - 1.03	6.25 - 10.54	0.12 - 1.25	0.00 - 0.00
<b>Ukraine</b>	0.28 - 0.62	2.53 - 4.14	0.06 - 0.66	0.00 - 0.02
<b>Netherlands</b>	0.00 - 0.01	0.08 - 0.13	0.00 - 0.00	0.00 - 0.00
<b>EU(27)</b>	0.00 - 0.01	0.09 - 0.15	0.00 - 0.01	0.00 - 0.00

Source: Note: Confidence intervals are calculated between the 2.5 and 97.5 percent percentiles.

Source: SEO Amsterdam Economics.

### 4.3 Estimates by sector

**Disaggregating welfare impacts by broad sector reveals notable variations across countries and sectors, which are presented in Table 4.4.** Consistent with our first stage estimation and our RCA analysis, agriculture drives the largest welfare gains in all accession scenarios, with impacts on both manufacturing and services remaining more limited.

Table 4.4 Summary of disaggregated (3 industry groups) GDP effects for different accession scenarios.

Scenario	GDP ( $\Delta\%$ )											
	All				Western Balkans				Enlargement Trio			
Sector	Total	Agri	Manu	Serv	Total	Agri	Manu	Serv	Total	Agri	Manu	Serv
Country	-	-	-	-	-	-	-	-	-	-	-	-
<b>Albania</b>	0.7	1.27	0.64	0.72	0.7	1.27	0.64	0.72				
<b>Bosnia and Herzegovina</b>	0.4	2.94	0.71	0.12	0.4	2.93	0.71	0.12		-0.01		
<b>Montenegro</b>	0.5	7.21	0.66	0.45	0.5	7.11	0.66	0.45		0.03		
<b>North Macedonia</b>	0.4	3.63	0.53		0.4	3.58	0.53			-0.03		
<b>Serbia</b>	0.7	3.23	1.23	0.41	0.7	3.21	1.22	0.41				
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Georgia</b>	0.1	1.23	0.29						0.1	1.23	0.29	
<b>Moldova</b>	0.7	8.16	0.6			-0.03			0.7	8.1	0.6	
<b>Ukraine</b>	0.4	3.25	0.31	0.01					0.4	3.25	0.31	0.01
--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Netherlands</b>		0.1				0.01				0.09		
<b>EU(27)</b>		0.12				0.03				0.09		

Source: SEO Amsterdam Economics.

**For the Netherlands and the EU (27), agriculture is the only sector where marginal welfare effects are recorded at 0.1 and 0.12 percent, respectively.** Notably, these welfare gains are largely driven by price effects due to the accession of the Enlargement Trio particularly Ukraine, the largest economy in this group and a highly competitive agricultural exporter. Among the Western Balkans, Montenegro stands out with the highest sectoral welfare gain in agriculture, at 7.21 percent, followed by North Macedonia (8.16 percent), Serbia (3.23 percent) and Bosnia and Herzegovina (2.94 percent). Within the Enlargement Trio, Moldova exhibits the strongest agricultural welfare gains (8.16 percent), followed by Ukraine (3.25 percent), which holds a substantial share of total agricultural trade with the EU.

**Beyond agriculture, notable patterns emerge in other sectors.** Serbia's manufacturing sector sees a 1.23 percent welfare gain, reflecting its strong automotive integration into global value chains (GVCs), particularly in rubber and plastics. Albania's services sector also registers a 0.72 percent gain of service sectors output, aligning with expectations of nearshoring in IT services, as indicated in stakeholder interviews. However, manufacturing welfare gains remain subdued across most economies, with Western Balkan countries benefiting more than the Enlargement Trio. Similarly, services welfare gains are mostly absent in the Enlargement Trio, while modest improvements are observed in the Western Balkans.

**Changes in bilateral trade patterns reflect a shift from domestic trade (e.g., NLD-NLD) to international trade, capturing gains from trade through more efficient sourcing of production.** Table 4.5 displays nominal bilateral trade variations for relevant exporter (rows) - importer (columns) pairs. The Netherlands is expected to see a decline in its total agricultural output, with increased exports to the acceding countries falling short of the expected reduction in domestic trade and exports to the EU. Most gains in the sector will then be driven from increased Ukrainian agricultural imports to the Netherlands. No major impacts are expected in manufacturing and services.

Table 4.5 Summary of bilateral trade effects (in millions of euros) for the All join scenario.

Importer \ Exporter	ALB	BIH	MNE	MKD	SRB	GEO	MDA	UKR	NLD	EU (27)
<b>Agriculture</b>										
Albania (ALB)	-129				21					90
Bosnia and Herzegovina (BIH)		-160			12					123
Montenegro (MNE)										
North Macedonia (MKD)				-101	13					113
Serbia (SRB)	20	46		38	-404				24	386
Georgia (GEO)						-46		13		46
Moldova (MDA)							-107	14	17	241
Ukraine (UKR)							13	-925	769	2365
Netherlands (NLD)					47	13	21	205	-431	-93
EU (27)	113	127		76	429	50	140	1508	-623	2778
<b>Manufacturing</b>										
Albania (ALB)	-141									155
Bosnia and Herzegovina (BIH)		-337								373
Montenegro (MNE)			-18							14
North Macedonia (MKD)				-488						521
Serbia (SRB)			-12	11	-201				15	531
Georgia (GEO)						-70		16		42
Moldova (MDA)							-140			155
Ukraine (UKR)				12		32	32	-1477	88	1543
Netherlands (NLD)				16	17	15		71	-45	-54
EU (27)	190	469	67	454	699	202	204	2162	-135	3167
<b>Services</b>										
Albania (ALB)	-168									355
Bosnia and Herzegovina (BIH)		145								69
Montenegro (MNE)			-136							
North Macedonia (MKD)										
Serbia (SRB)					-712				52	750
Georgia (GEO)										
Moldova (MDA)										
Ukraine (UKR)								-2161		
Netherlands (NLD)					33				-24	
EU (27)	311	68			864				-34	-724

Source: SEO Amsterdam Economics.

Further disaggregating each broad sector into the product groups explored above in section 2.2 under the full accession scenario, reinforces the trade patterns described and aligns with the risks and opportunities previously identified. These results are presented in Table 4.6.

**Most welfare gains remain concentrated in agricultural sectors – particularly animal, vegetable, and food products – across both the EU and acceding countries, and including the Netherlands.** Western Balkan countries are projected to benefit most in animal and food products, while the Enlargement Trio shows stronger gains in vegetable and food products. The Netherlands will particularly benefit from increased trade in vegetable products (0.3 percent), and relatively more than the EU on average (0.2 percent).

**In manufacturing, no significant welfare effects are expected for the Netherlands or the EU, while impacts for acceding countries are mixed.** On the one hand, textiles, footwear, and leather are projected to face negative effects across most economies. However, these impacts are likely to be overstated as past trends of GVCs relocation to East, South-East and South Asia may no longer apply. Indeed, contextual data like the RCAs highlights that countries like Albania, Moldova and Serbia already enjoy a competitive advantage on these products and are integrated into EU supply chains. This means, these countries and industries are actually expected to sustain gains. On the other hand, acceding countries are expected to benefit from supplying inputs to EU value chains, particularly in lower value-added sectors such as chemicals, plastics, rubber, glass, and metals.

Table 4.6 Summary of disaggregated GDP effects per product group for the scenario All join (in percent of sectoral value added).

Sector	Animal Products	Vegetable Products	Food Products	Fuels	Chemicals	Plastics and Rubber	Hides, Skins, and Leather	Wood and Articles of Wood	Textiles and Clothing	Footwear	Articles of Stone, Glass, and Ceramics	Metals	Machinery and Electrical Equip	Transportation Equipment	Misc. Manuf. Articles	Services
Country																
<b>Albania</b>	8.5	1.4	14.1	0.7	1.6	1.6	-11.0	0.6	-3.2	-1.6	2.7	2.6	0.1	0.2	-0.6	0.7
<b>Bosnia and Herzegovina</b>	5.8	3.0	7.1	0.6	2.0	1.6	-9.0	0.4	-3.0	-8.2	1.4	2.1	0.1	0.2	-2.1	0.1
<b>Montenegro</b>	13.4	7.5	9.9	1.0	1.4	1.4	-3.1	0.3	-1.3	-0.9	1.6	1.7	0.1	0.2	-0.8	0.5
<b>North Macedonia</b>	7.0	3.0	6.9	0.5	5.0	1.1	-7.6	0.2	-5.3	-3.3	1.0	2.0	0.1	0.1	-1.9	0.0
<b>Serbia</b>	13.7	4.2	24.9	1.3	1.9	3.1	-11.4	0.9	-4.6	-6.4	3.2	3.1	0.2	0.3	-2.3	0.4
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<b>Georgia</b>	3.4	1.5	5.2	0.4	1.2	0.5	-3.8	0.1	-1.6	-1.0	0.4	0.5	0.0	0.1	-0.6	0.0
<b>Moldova</b>	3.6	10.5	8.1	0.9	1.3	1.3	-7.6	0.3	-3.6	-3.6	1.0	1.9	0.1	0.1	-1.5	0.0
<b>Ukraine</b>	2.2	5.0	3.0	0.2	1.0	0.7	-4.5	0.2	-2.3	-1.4	0.3	1.6	0.1	0.1	-0.5	0.0
---																
<b>Netherlands</b>	0.1	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EU(27)</b>	0.1	0.2	0.1	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: SEO Amsterdam Economics.

## 5 Non-trade effects

In the case of potential EU enlargement, the scale of labor migration will likely be limited by the workforce sizes of candidate countries, except Ukraine, a history of emigration to the EU following an established pattern, and uncertainty around labor market transitional arrangements for new member states.

**Next to gains from trade, accession to the EU may spur other economic changes.** Beyond immediate trade benefits, enlargement brings additional long-term economic effects by fostering labor mobility, investment, and more efficient allocation of resource, and bringing new members closer to the existing ones in terms of income and standards of living. Our baseline model's findings therefore represent conservative estimates, and we qualitatively comment on these broader dynamic returns, primarily from free mobility of people and capital. We investigate several of these possible changes qualitatively. Section 5.1 discusses migration (free movement of labor) and section 5.2 discusses other economic effects related to the reallocation of capital and labor.

### 5.1 Qualitative analysis of potential labor migration effects

**The nine evaluated countries potentially joining the EU could add approximately 38 million people of working age to the EU workforce (+14 percent).** This raises important questions about potential migration to the Netherlands and other EU countries. To explore these implications, we examined evidence from the 2004, 2007, and 2013 EU enlargements, analyzed migration patterns from the evaluated countries to the EU, and conducted interviews with experts.

**Evidence from previous EU enlargements shows that labor migration from new EU member states was shaped by both 'push' and 'pull' factors.** "Push" factors, such as economic and political instability, unemployment, low wages, low economic growth, declining living standards, and skills mismatches, drove people to emigrate. On the other hand, "pull" factors included the income gap with EU member states, higher income expectations, availability of jobs that better matched individuals' education and skills, and established migrant networks within the EU. These factors influenced migration flows, with push factors creating pressures to leave and pull factors offering incentives to migrate to more favorable conditions (ILO, 2004).

**In previous EU accessions, migration flows to EU countries were typically lower than predicted, with most movement occurring in the initial years and net flows decreasing over time due to return migration (Table 5.1).** Studies predicted that up to 4 million people would migrate from the ten new member states to the EU-15 following the 2004 enlargement, with a third expected to be workers (Boeri and Brücker, 2000). In reality, migration reached 2 million in the first three years and decreased to 1 million after 10 years, largely due to significant return migration, as many individuals from new member states returned home after temporary work, anticipating improved economic conditions due to convergence. Following the 2004 EU enlargement, the Netherlands saw an inflow of labor migrants from the newly acceded member states. While the number of permanent migrants remained within projected ranges, the number of temporary (seasonal) workers exceeded initial expectations (CPB, 2011). This discrepancy was largely attributed to limitations in the predictive methodology, as well as to policy changes regarding transitional agreements in other EU countries, which redirected some migration flows (Van Stiphout-Kramer et al., 2024). There are several other general caveats to estimates of migration flows. Migration within the EU is fluid, making it challenging to track long-term immigrant stocks. Additionally, studies struggle to pinpoint EU accession as the sole driver of migration (Fic et al., 2011).

Table 5.1 Summary of migration flow estimates for prior EU enlargements.

EU enlargement	Population size before accession, million	Estimated migration flows to the EU, million	Estimation period	Source
<b>2004 Enlargement</b> (8 CEE countries, Malta, Cyprus)	74.2	2.2-3.0	Before accession	OECD, 2001
		0.85-3.9 million	Before accession	Boeri and Brücker, 2000
		2.4	Before accession	Lejour et al., 2001
		2.0	3 years after accession	D'Auria et al., 2008
		1.0	15 years after accession	Caliendo et al., 2021
Poland	38.2	1.3-1.5	3 years after accession	White et al., 2018
<b>2007 Enlargement</b> (Romania and Bulgaria)	28.8	1.1	3 years after accession	Brücker and Damelang, 2009
<b>2013 Enlargement</b> (Croatia)	4.3	0.2	3 years after accession	Draženović et al., 2018

Note: Total expected migration estimates rarely factor in return migration and therefore differ from the actual migration flows.

### Migration flows to EU countries after prior enlargements included both high- and low-skilled workers.

Migration flows to EU countries after prior enlargements included both high- and low-skilled workers. Low-skilled migrants, from countries like Poland, Lithuania, and Romania, took jobs in agriculture, construction, and hospitality, offering better wages than at home. High-skilled workers, such as doctors, nurses, IT professionals, and engineers, also migrated, with Polish doctors joining the UK's NHS and Baltic IT specialists filling gaps in Germany and Sweden (Black et al., 2010). Since Croatia's EU accession in 2013, many young, highly educated people have left, driven by better salaries and career opportunities in Western Europe. Evidence from the 2004 and 2007 EU enlargements shows that both high- and low-skilled migrants helped meet labor market needs in the destination countries with little evidence of crowding out (Kahanec et al., 2009).

**Our analysis suggests that labor migration from the nine evaluated countries will likely be limited, except for Ukraine, and follow established patterns.** Significant income gaps between the candidate countries and the EU-27 (GDP per capita levels are 30-60 percent of the EU-27 average) may attract workers from the acceding states, and skills mismatches, which have already contributed to brain drain, and higher income expectations are likely to push workers abroad. However, the scale of migration flows will likely be constrained by the countries' workforce sizes, long history of emigration to the EU, and uncertainty around the transitional arrangements design possibly reshaping initial labor migration flows. Labor migrants will likely continue to flow to the destinations they have historically preferred.

**Migration flows are likely to be limited in scale, with most originating from Ukraine.** Aside from Ukraine, the nine candidate countries are relatively small (Table 5.2). Of the total 61 million potential EU citizens (38 million of whom are working age), 60 percent are Ukrainians, with over 4 million already residing in the EU due to war displacement and previous history of emigration. For comparison, the 2004 EU enlargement added over 74 million people from 10 countries, with Poland (38 million) and Hungary (10 million) together contributing more than half of the total. Poland accounted for two-thirds of all emigration following the accession. Given its population share, Ukraine is likely to be the major labour migration source in the event of EU accession. However, it remains unclear what status displaced Ukrainians already in the EU will receive and whether return migration will occur (discussed later in this section).

**Moreover, the nine evaluated countries have long struggled with brain drain, particularly in highly skilled sectors.** Many doctors and engineers from the Western Balkans, for instance, have already migrated to Germany (particularly since the introduction of the Western Balkans Regulation in 2015 amidst a significant shortage of medical professionals in the country), while many Ukrainian (particularly following the 2014 Russia's aggression in the Donbas region) and Moldovan IT professionals relocated to Poland and Germany (more actively since the introduction of the Skilled Immigration Act in 2020). Moreover, workforce shortages in sectors like construction, logistics, utilities, and tourism in EU candidate countries have prompted governments in the Western Balkans to recruit overseas workers, including from as far as Asia. This might suggest that labor migration, including lower-skilled migration, from these countries has already largely already occurred. Ukraine, on top of brain drain, faces labor market pressures due to war-related displacement and the large-scale mobilization of men into the military, exacerbating workforce shortages.

**Labor migration is likely to follow established patterns, shaped by existing diasporas and traditional work destinations.** Existing migrant networks shape destination choices by facilitating both arrival and integration (Beine et al., 2011; Migali et al., 2018). We therefore expect that migration from the nine evaluated EU candidate states will flow toward countries with well-established diasporas. For instance, Albanians typically migrate to Italy and Greece, while Serbians tend to move to Germany and Austria. Before the Russian invasion, Poland had the largest Ukrainian diaspora, and it remains one of the main destinations for Ukrainians displaced by war (see Table 5.2). Many Moldovans reside in Romania, although this is not fully recorded in official statistics because up to two-thirds of Moldovans, particularly younger generations, hold dual citizenship with Romania, granting them unrestricted access to live, work, and study in the EU. Earlier generations of Moldovans mostly migrated to Italy. While many Georgians migrate to the EU, the United States remains a more popular destination, limiting large labor migration flows to the EU.

Table 5.2 Immigrant stock within the EU-27, selected EU candidate states.

Country	Total population, million	Total in EU, million	Top 3 destinations, million
Albania	2.8	0.8	Italy (0.4), Greece (0.3), Germany (0.08)
Bosnia and Herzegovina	3.4	0.5	Germany (0.2), Slovenia (0.1), Austria (0.1)
Serbia	6.6	0.5	Germany (0.2), Austria (0.1), Switzerland (0.06)
Kosovo	1.8	0.4	Germany (0.2), Switzerland (0.1), Italy (0.04)
Montenegro	0.6	0.04	Germany (0.02), Switzerland and Cyprus (< 2.5 ths)
North Macedonia	1.8	0.3	Germany (0.1), Switzerland (0.07), Italy (0.05),
<b>Total Western Balkans</b>	<b>17.0</b>	<b>2.5</b>	
Ukraine		1.5	Poland (0.6), Italy (0.2), Czech Republic (0.2)
Ukraine: TPD*	37.7	4.2	Germany (1.2), Poland (1.0), Czechia (0.4)
Georgia	3.7	0.2	Italy (0.03), Poland (0.02), Greece (0.02)
Moldova	2.4	0.2	Italy (0.1), Germany (0.03), Spain (0.01)
<b>Total Enlargement Trio</b>	<b>44.0</b>	<b>6.1</b>	

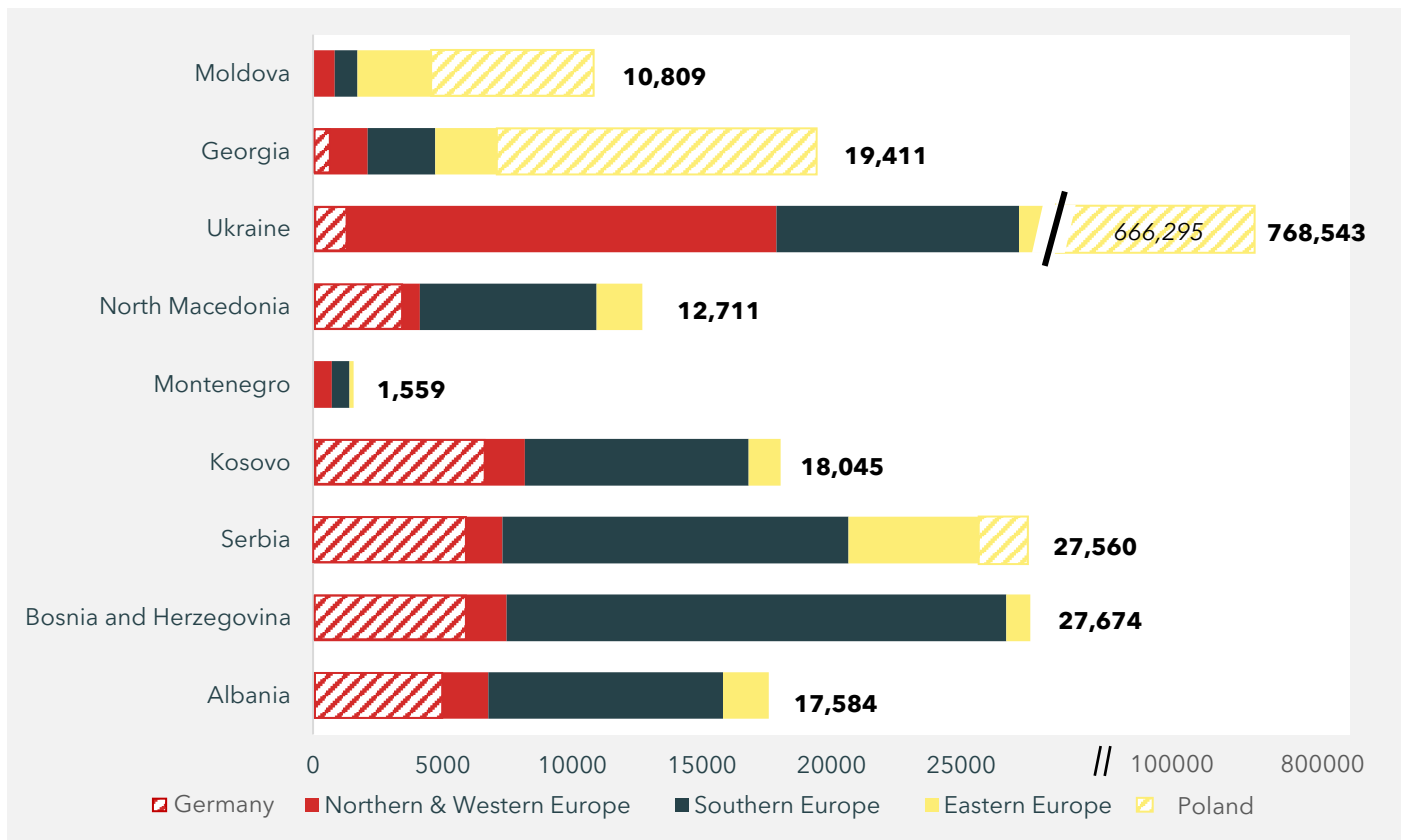
Note: Citizens of respective countries holding long-term residence permits (for all reasons). The diasporas are likely to be larger due to naturalized and informally employed immigrants, particularly for the Western Balkans. For instance, the Albanian diaspora is estimated to be 1.1 million, Serbian – 0.8 (ICMPD, 2022). \*TPD is the EU Temporary Protection Directive (2022) that allows Ukrainians fleeing the war to legally stay and work in the EU, which is a separate legal mechanism from residence permits issued by separate EU member states.

Source: Population: Eurostat (2024; 2023 data for Montenegro, Moldova and Albania; 2022 data for Kosovo); World Bank for Ukraine (2023), population on Ukraine-controlled territories. Immigrant stock: Eurostat (migr\_resvalid, latest data 2023); Ukraine Temporary Protection Directive: Eurostat (migr\_asytpsm, latest data November 2024).

While this migration pathway is independent of Ukraine's EU accession, as the status of displaced Ukrainians will be determined separately, it should be considered in future labor migration flows. The Temporary Protection Directive is renewed annually and currently valid until March 2026, but its future remains uncertain. Interviews with experts suggest that some EU member states might choose to extend residence to displaced Ukrainians conditional on, e.g., their employment or student status even after hostilities end. Recent surveys indicate that one-third of displaced Ukrainians plan to stay in the EU, citing security concerns as the main barrier to returning, with another third undecided (EUAA, 2024, UNCHR, 2024). Once hostilities cease, many may choose to reunite with family in the EU, while others might return to Ukraine to reunite with family there.

**Workers from the nine evaluated countries tend to go to longstanding destinations, a pattern likely to persist post EU accession.** According to 2023 data on first-time work permits—granted for initial employment—workers from the Western Balkans predominantly migrate to Southern European countries like Croatia and Slovenia, as well as Germany. Meanwhile, workers from Ukraine, Moldova and Georgia primarily choose Eastern European destinations such as Poland (90 percent of all work permits for Ukrainians); Ukraine also tend to go to Scandinavian countries for seasonal work (see Figure 5.1). This trend has remained stable over the past decade, with permit numbers steadily increasing. Expert interviews further confirm that future labor migration flows are expected to follow these established pathways, with the Netherlands currently not ranking among the most preferred destination countries (see Figure 5.1).

Figure 5.1 Number of citizens of enlargement countries to whom first work residence permits were issued in 2023 within the EU-27.



Note: 2021 figures for Ukraine before the Temporary Protection Directive came into force allowing Ukrainians to work in the EU without a work permit. Figures for the Netherlands are included in the Northern & Western Europe group.

Source: SEO Amsterdam Economics based on Eurostat ([migr\\_resfirst](#)).

**Ukraine stands out due to its larger workforce compared to other EU candidate states and the current presence of Ukrainians in the EU-27 displaced by the Russian invasion.** More than a million Ukrainians already lived in EU-27 countries before Russia’s invasion. Many, predominantly men, had migrated for temporary and seasonal work in relatively simple roles, particularly in neighboring Poland and the Czech Republic. Italy was a popular destination for female workers, especially in caregiving roles. Highly skilled labor migration was limited, mostly involving IT professionals moving to Poland and Germany (Lücke & Saha, 2019). Additionally, over 4 million Ukrainians displaced by the 2022 Russian invasion found legal residence in the EU, primarily in Germany, Poland, and the Czech Republic. They benefit from the Temporary Protection Directive, allowing them to live and work in the EU unrestrictedly. Over 70 percent of displaced Ukrainians are working-age women, mostly highly educated, and children (men of working age are required to remain in Ukraine for military service). Many have integrated into the Dutch labor market well; for example, 59 percent of approximately 92,000 Ukrainians aged 15 to 64 were in paid employment as of late 2024 (CBS, 2025).

**The direction and scale of migration flows will also depend on which EU member states choose to open their labor markets to new EU members and how quickly they do so.** EU accession grants the right to free movement of people as a fundamental part of EU membership. However, existing member states may individually choose to apply transitional restrictions on access to their labor markets for citizens of new member states. These restrictions can last for a minimum of two years and a maximum of seven years, following a '2+3+2' model under EU law. For example, during the 2004 enlargement, transition periods were imposed by the EU-15, except the UK, Ireland and

Sweden, for the acceding member states except Cyprus and Malta, requiring workers from the rest to obtain work permits. These bilateral arrangements also influenced migration patterns. For example, while many anticipated a significant influx of Polish workers to Germany and Austria post-2004, most instead migrated to the UK and Ireland, which had opted not to apply the transition period (Michałek and Hagemeyer, 2024).

**Experts we interviewed anticipate that transition periods will apply to the nine evaluated EU candidate states, delaying their access to the EU-27 labor markets.** While this is likely to include Ukraine, it remains uncertain how these restrictions will align with the Temporary Protection Directive, which currently grants displaced Ukrainians unrestricted access to work in EU member states.

**We were also asked to comment on the concerns around the third-country nationals employment in EU candidate states, which presents both opportunities and risks.** Third-country national workers help address labor shortages in lower-skilled occupations, but labor regulations vary across countries. The risks are particularly relevant in the Western Balkans, where many migrant workers, encouraged by governments to migrate from as far as Nepal, Pakistan, the Philippines, and Indonesia to fill gaps in sectors such as logistics, delivery, tourism, utilities, and construction, may be vulnerable to weaker labor protections. Expert interviews highlight concerns about insufficient labor regulation in Albania and, to some extent, Moldova, whereas Serbia and Bosnia have more structured regulatory frameworks. Another related risk is illegal migration, particularly flagged for Bosnia. The country maintains a system for tracking both legal and illegal arrivals and shares migration data with the EU. This risk is expected to decrease upon EU accession, as Bosnia and other acceding countries would be required to comply with EU border control regulations.

**Related to that, we were also asked to possibly comment on concerns about social dumping.** In the context of EU enlargement, social dumping refers to exploiting lower labor standards, wages, or social protections in newer EU member states to gain a competitive advantage. This raises concerns for both new and existing EU countries. One commonly cited risk in the Netherlands concerns the Posting of Workers Directive (Directive 96/71/EC), which allows third-country nationals to be posted to other EU countries via companies based in new member states. This occurs under the framework of the free movement of services rather than of people, potentially compromising local labor protections. The Netherlands is among the EU member states that receive a high number of posted workers. According to the most recent data from 2022, nearly 90,000 posted workers were registered in the country, primarily sent by Polish, German, and Lithuanian agencies (Adviesraad Migratie, 2024). Of these, approximately three-quarters (67,190) originated from other EU member states while the remaining came from non-EU countries—mostly from Eastern Europe and the Caucasus—and were predominantly employed in the transport, logistics and construction sectors. Many temporary labor migrants from other EU member states sent via employment agencies come to the Netherlands and stay unregistered with local municipalities, although specific numbers are difficult to estimate (Heyma et al., 2022). Given that workers are posted in the Netherlands from other EU countries, it could be that such workers will also start to hail from the acceding countries. At the same time, such workers may substitute for workers currently coming from other countries or prefer to work someplace else. As such, without further research we currently cannot estimate the scope of additional posted workers in the Netherlands as a result from accession of the Western Balkans and Enlargement Trio to the EU.

## 5.2 Non-trade economic effects from free movement of labor and capital

**Our qualitative analysis of labor migration effects should be interpreted within the broader context of the economic gains from enlargement generated by the free movement of people, one of the Single Market's**

**four pillars.** Opening labor markets to new EU member states expands access to a larger workforce pool, enabling companies from older member states to tap into new talent. This makes new member states particularly attractive for FDI from existing members seeking to benefit from a well-educated, lower-cost workforce. Mobility further facilitates a better match between workers' skills and labor shortages within the expanded EU; for example, Polish and Romanian workers in the UK and Ireland, the first to open their markets, alleviated construction shortages, while Eastern European workers in Germany and Austria filled critical gaps in nursing and caregiving. Labor mobility also contributes to the overall upskilling of the European workforce through knowledge exchange. While EU accession-induced migration is often associated with concerns about downward wage pressures and unemployment for local workers due to an influx of lower-skilled migrants from lower-wage countries, academic literature finds no clear evidence of long-term negative effects in the context of EU enlargement (Zimmermann & Kahanec, 2009).

**Free movement of capital within the EU facilitates cross-border investment and supports a more efficient allocation of resources and returns from economies of scale.** During the 2004 enlargement, intra-EU FDI was primarily driven by market- and efficiency-seeking motives, as companies sought access to larger markets, the opportunity to develop new markets, and cost savings through wage differentials (Bevan and Estrin, 2004). Labor, a combination of lower wage costs and high quality of human capital, remained a key attraction for investors. These FDI inflows, largely sourced from advanced European economies, created new supply chains and upgraded the export sector in the new member states towards more technology-intensive (Jirasavetakul & Rahman, 2018). One notable example is the development of just-in-time supply chains in the automotive sector, linking countries such as Germany, the Czech Republic, and Slovakia.

**EU enlargement heightens competitive pressures, prompting firms in existing member states to reduce costs by relocating production and sourcing cheaper inputs.** While increased competition is a key economic effect of the Single Market - realized through pressure to innovate (in 't Veld, 2019) - in the context of EU enlargement, these effects are likely to materialize as firms optimize operational expenses by shifting production and sourcing inputs from lower-cost markets, since acceding countries are typically less economically developed and initially less equipped to engage in direct competition.

**By enlarging its market, the EU attracts significant market-seeking FDI that leverages economies of scale and reduced transaction costs.** Because enlargement increases the EU's market size, it becomes more attractive for market-seeking FDI from outside the bloc, as multinational firms seek to exploit economies of scale, reduce transaction costs, and establish subsidiaries that benefit from the Single Market's regulatory and operational environment. The gains from both efficiency-seeking and market-seeking FDI are substantial. Estimates show that membership in the EU accounts for 60 to 85 percent increase in FDI flows from outside the EU and around 50 percent within the EU (Bruno et al., 2021). These effects far exceed the benefits of shallower economic integration models, such as free trade zones, substantiating the returns attributable to the Single Market.

**Evidence further suggests that enlargement increases total investment flows rather than diverting them from old member states.** For instance, regions of new EU members near the newly internalized border after the 2004 enlargement experienced a 37 percent increase in FDI; this surge did not come at the expense of reduced FDI in old member states regions but was instead driven by improved market access, lower administrative costs, and a unified regulatory environment following the removal of border controls (Serwicka et al., 2024). While the free movement of capital fosters FDI and more efficient allocation of resources, the incomplete and fragmented EU capital market with regulatory differences, varying legal frameworks, and underdeveloped cross-border financial infrastructure continues to limit its full potential.

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# Appendix A Agricultural exports to the EU

Table A.1 Acceding countries' and Dutch agricultural exports to the EU in 2023, selected products

Product Group	Product Category (HS2)	Product Name (HS4)	Netherlands		All Acceding Countries	
TOTAL (Millions of US\$, 2023)   Sum of share (%)			99,754	67%	17,312	85%
Animal Products	Animals; live	Swine; live	1,009	1%	0	0%
	Meat and edible meat offal	Meat of bovine animals	2,979	3%	2	0%
		Meat of swine	2,239	2%	0	0%
		Meat and edible offal of poultry	2,937	3%	437	3%
		Meat and edible meat offal; salted	987	1%	1	0%
		Fish and crustaceans, molluscs	Fish fillets and other fish meat	1,427	1%	19
	Dairy produce; birds' eggs; natural	Milk and cream; not concentrated	997	1%	6	0%
		Butter and other fats and oils	1,880	2%	7	0%
		Cheese and curd	4,751	5%	21	0%
	Vegetable Products	Trees and other plants, live; bulbs	Plants, live; n.e.c. in heading no.	4,827	5%	39
Flowers; cut flowers and flower bud			3,837	4%	1	0%
Vegetables and certain roots		Tomatoes; fresh or chilled	1,825	2%	20	0%
		Vegetables; n.e.c. in chapter 07, f	2,043	2%	56	0%
Fruit and nuts, edible; peel of citrus		Dates, figs, pineapples, avocados,	1,445	1%	2	0%
		Citrus fruit; fresh or dried	953	1%	7	0%
		Fruit, fresh; n.e.c. in chapter 08	1,444	1%	59	0%
		Fruit and nuts; uncooked or cooked	247	0%	569	3%
Cereals		Wheat and meslin	59	0%	1,754	10%
		Barley	36	0%	202	1%
	Maize (corn)	114	0%	3,264	19%	
Oil seeds and oleaginous fruits; mi	Soya beans, whether or not broken	280	0%	608	4%	
	Rape or colza seeds; whether or not	331	0%	1,269	7%	
	Sunflower seeds; whether or not bro	31	0%	363	2%	
	Seeds, fruit and spores; of a kind	1,103	1%	12	0%	
Animal, vegetable or microbial fats	Palm oil and its fractions; whether	1,122	1%	0	0%	
	Sun-flower seed, safflower or cotton-seed oil	823	1%	2,944	17%	
	Rape, colza or mustard oil and thei	426	0%	214	1%	
Meat, fish, crustaceans, molluscs	Prepared or preserved meat	1,285	1%	39	0%	
Sugars and sugar confectionery	Cane or beet sugar	570	1%	428	2%	
Food Products	Cocoa and cocoa preparations	Cocoa; butter, fat and oil	1,347	1%	1	0%
		Chocolate and other food preparations	1,849	2%	205	1%
	Preparations of cereals, flour, starch	Bread, pastry, cakes, biscuits, oth	2,441	2%	331	2%
		Vegetables preparations n.e.c.; pre	2,010	2%	1	0%
		Vegetables preparations n.e.c.; pre	1,065	1%	91	1%
		Fruit, nuts and other edible parts	1,103	1%	39	0%
		Fruit or nut juices (including grap	1,503	2%	148	1%
	Miscellaneous edible preparations	Sauces and preparations therefor; m	1,191	1%	44	0%
		Food preparations not elsewhere spe	2,918	3%	117	1%
	Beverages, spirits and vinegar	Waters, including mineral and aerat	1,949	2%	230	1%
Ethyl alcohol, undenatured; of an a		2,008	2%	95	1%	
Food industries, residues and waste	Oil-cake and other solid residues;	1,229	1%	262	2%	
	Oil-cake and other solid residues;	264	0%	579	3%	
	Preparations of a kind used in animals	3,716	4%	154	1%	

Source: SEO Amsterdam Economics, based on COMTRADE data at the HS4 level (accessed April 2024). Note: Only products that represented more than 1 percent of Agricultural exports to the EU were selected.



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**Translation of SEO-report nr. 2025-74**

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