MACROECONOMIC CHALLENGES FACING NEW COUNTRIES' ACCESSION TO THE EUROPEAN UNION

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Accession to the European Union remains an important factor in promoting stability and economic growth in Europe. The importance of European unity was demonstrated during the energy, geopolitical crises and throughout the COVID-19 pandemic, highlighting the need for European countries to address global challenges together. Russia's open military attack on Ukraine in 2022 led three neighboring countries to the east to apply for EU membership, along with prompting key decisions by the European Council, further underscoring the geopolitical significance of EU enlargement. This is one of the reasons why ten partners, including the six Western Balkan countries and Turkey, Ukraine, Moldova, and Georgia, are seeking to establish closer ties with the EU (Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2024). In this article, we will discuss the challenges on the path to the accession of Turkey, Ukraine, and Moldova to the European Union.

The **relevance** of this study is due to the need to analyze the most significant macroeconomic outcomes of the accession of Eastern European countries and Turkey, an economically developed country, to the European Union, in order to develop strategies for addressing them. The **material** includes provisions from the works of domestic and foreign researchers studying the challenges and opportunities of EU enlargement, as well as periodicals and statistics from official websites. **Comparative**, **statistical**, and **descriptive methods** were used in the study.

The issue of macroeconomic outcomes related to Turkey, Ukraine, and Moldova's joining the European Union has already been considered by many notable researchers, including A. Belke (Belke, 2004), B. Rudloff (Rudloff, 2022), S. Fleming (Fleming, 2023), and H. Foy (Foy, 2023), etc.

The main requirements that countries must meet for accession to the EU are the Copenhagen criteria. The **economic dimension** is «the existence of a functioning market economy, as well as the ability to cope with competitive pressures and market forces within the EU» (Shaipova, 2023).

Table 1. Macroeconomic indicators of Turkey, Ukraine, Moldova

Country	Indicator	GDP per capita (current US $), 2023	Agricultural land (sq. km), 2021	Agriculture, forestry, and fishing, value added (% of GDP), 2023
Turkey		12985,8	380890	6,2
Ukraine		5181,4	413110	8,6
Moldova		6650,6	22750	7,6

Table 1 shows the macroeconomic indicators of Turkey, Ukraine, and Moldova. The data are taken from the World Bank (World Bank Open Data). Based on the GDP per capita data in Table 1, Moldova and Ukraine, among the three potential EU candidates, would be eligible for greater financial assistance from the budget, as their levels of economic development are lower than those of Turkey. According to a study by the General Secretariat of the Council of the EU (Foy, 2023), the accession cost of all current candidate countries over seven years is estimated at €186 billion, or €25.57 billion per year. This will force the EU to face difficult decisions: increase contributions from current members (many of whom will shift from being net recipients to net contributors), reduce support for current beneficiaries (such as Poland and Hungary), or reconsider program thresholds and scopes. Under current conditions, Ukraine could potentially claim about 20 percent of the total EU budget (Adam, 2023). Brussels is committed to providing financial support to EU members whose GDP levels are below the Union average. Consequently, the admission of new member states will impact the EU budget, requiring additional resources to cover increased expenditures, particularly in the areas of agriculture and cohesion policy.

In a policy paper for the International Center for Defense and Security, M. Emerson, an Associate Senior Research Fellow at the Centre for European Policy Studies, proposes several strategies to offset the costs of Ukraine's EU accession. Firstly, transitional periods can be established during negotiations, allowing payments to Ukraine and other new members to be temporarily limited. Secondly, the costs of

EU expansion can be linked to reconstruction expenses, which would be partially funded by other international donors, including the G7, the IMF, the World Bank, the EBRD, the private sector, and reparations from frozen Russian assets (approximately €278 billion). Lastly, contributions to the EU budget could be deferred if funded through EU bonds with maturities of up to 30 years (Stanicek, 2023: 7).

The report by the Franco-German Working Group on EU Institutional Reform, entitled *Sailing on High Seas: Performing and Enlarging the EU for the 21st Century*, proposes policies and reforms to make EU institutions «enlargement-ready». Addressing potential challenges associated with future enlargement, the report emphasizes that the EU budget should increase both in nominal terms and as a percentage of GDP in the upcoming budget period. The prospect of Ukraine's enlargement and reconstruction, along with the need for €600 billion a year to meet the EU's emission reduction targets, requires a much larger EU budget (Stanicek, 2023: 4).

On the other hand, there is a macroeconomic challenge associated with agriculture. The reallocation of Common Agricultural Policy (CAP) funds has historically been a controversial issue in enlargement negotiations, as existing member states fear reductions in their budget shares. This issue was highlighted during the 2004 enlargement, which included major agricultural producers like Poland and was preceded by significant CAP reform. Following a Franco-German agreement, the agricultural budget was capped, and new members had to undergo a 10-year phasing-in process to reach parity in agricultural payments (Stanicek, 2023).

Currently, aside from Ukraine and Turkey, most EU candidate countries have relatively modest agricultural land areas, ranging from one to three million hectares. Serbia, with 3.5 million hectares, has an agricultural area similar to that of the Czech Republic (Stanicek, 2023). In contrast, Ukraine has an expansive 41.3 million hectares of farmland, with agriculture contributing 8.6% to its GDP – a higher rate than other candidates. Due to Ukraine’s extensive agricultural sector, its accession could pose budgetary challenges, likely prompting reforms to the CAP.

A longer phasing-in period may be necessary for Ukraine, depending on whether it can sustain agricultural competitiveness amid wartime conditions or will require special reconstruction support. Another key condition for Ukraine's accession is the completion of pre-war land market reforms to ensure transparency and fairness in land transactions, which would help reduce corruption and protect smaller farms from large-scale acquisitions (Rudloff, 2022).

Any attempt to assess the ultimate impact of Ukraine's membership on the EU agricultural budget should consider the CAP model in effect at the time of enlargement, along with the conditions agreed upon in the accession agreement. Since formal enlargement negotiations with Ukraine have not yet begun and the current CAP only came into effect in 2023, no official reforms have been proposed at this stage (Stanicek, 2023: 7-8).

Thus, European integration continues to play a decisive role in stabilizing relations and promoting economic development in Europe, especially in the face of current geopolitical challenges. The integration of new members requires significant financial resources and reforms to the EU's internal policies, particularly in agriculture and cohesion. Brussels offers solutions to alleviate the burden on the budget, such as transition periods and support from international donors to cope with the difficulties described above. Regarding threats to EU agriculture, a long phasing-in period for Ukraine to the CAP may be proposed. In the future, the goal is to study other candidate countries for EU accession using the same macro indicators and, additionally, the level of migration.

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