HOW TO BOLSTER SOCIO-ECONOMIC RESILIENCE IN THE EU CANDIDATE COUNTRIES

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SUMMARY

EU Candidate Countries in the Western Balkans and Eastern Neighbourhood are situated at the intersection of Europe's geopolitical, geoeconomic, and security interests. These countries face structural socio-economic vulnerabilities that make them highly exposed to malign external interferences from competing geopolitical powers. Even as EU enlargement gains new momentum, the weaponisation of these external interferences and strategic economic dependencies threatens to undermine their economic stability and severely obstruct their European integration.

EU support is instrumental in building up Candidate Country resilience. Nonetheless, the effectiveness of this support can be undermined by the temporary nature of EU crisis response mechanisms, weak domestic governance and socio-economic policies, and limited absorption capacity of EU funds. Concerns remain around the newly introduced Facilities, which are associated with extra administrative burdens for Candidate Countries, as well as concerns related to the consistent application of conditionality.

To bolster socio-economic resilience in the Candidate Countries the EU should:

- align its support with domestic reforms focused on addressing structural socio-economic issues and building long-term resilience;
- ensure sustainable Candidate Country access to long-term and low-cost financial instruments while increasing absorption capacity of financial support; and
- strengthen the application of conditionality and uphold the transparency and credibility of EU financial support in the broader enlargement process.

1. CONTEXT

As the EU's enlargement policy regains momentum after being dormant for the past decade, understanding and addressing the geoeconomic security threats to Candidate Countries (CCs) is essential. Bolstering the socio-economic resilience of the Western Balkan six (WB6) and Eastern Neighbourhood three (EN3) will determine not only the sustainability of their socio-economic development but also the credibility of the EU's renewed enlargement agenda, including its ambition to see the next enlargement of the Union by 2030. Strengthening resilience in these countries is therefore not simply a matter of economic convergence but a strategic investment in Europe's security and economic sovereignty, and prosperity.

1.1. Background

1.1.1. Threats

Several external powers - most notably China, Russia, Türkiye (itself a CC), and certain Gulf states (United Arab Emirates (UAE) in particular) - have leveraged economic, financial, and political tools to entrench influence. This has often come at the expense of the sustainable socio-economic development of CCs and their European integration objectives. The long-term socio-economic effects of such engagement—ranging from distorted markets to institutional erosion—pose a growing threat to regional stability.

Russia remains the principal malign actor in the EN3 region. Its influence has traditionally rested on dominating energy supplies, trade relations, and remittance flows. While these channels continue to pose short-term risks of economic coercion and instability, their impact has gradually declined as EN3 countries diversify their energy sources and reorient migration and trade toward the EU. However, the ongoing depopulation and forced displacement of children and economically active populations from the occupied territories of Ukraine, as well as the continued practices of borderisation and passportisation in Georgia, are high-impact threats over both the short and long-term. Russia also fuels corruption to deepen internal divisions and weaken governance structures. While Russian-fuelled corruption in Ukraine has waned since the outbreak of full-scale war, Russian interference remains highly visible in both Moldova and Georgia. This not only erodes socio-economic stability but also obstructs progress toward EU integration.

In the WB6, Russia is mainly associated with leveraging energy dependence. This applies to Bosnia and Herzegovina, North Macedonia, and Serbia, where Moscow maintains influence through energy dependencies and control over energy infrastructure. In Montenegro, Russia retains a strong presence through tourism and real-estate investment, as well as Russian citizens who have acquired Montenegrin citizenship through the 'investor citizenship' programme. In Albania, Russia is primarily associated with fuelling corruption.

China's engagement in both regions is characterised by increasing investments in strategic sectors such as transport, telecommunications, and banking. While these projects promise short-term growth and infrastructure development, they often come with opaque conditions and high financial costs. Such investments have become particularly visible in Serbia in recent years. An increased economic presence through major investment projects is also apparent in Georgia. In Ukraine, instruments deployed by China include strategic investments in critical infrastructure and foreign direct investments in sectors such as telecommunications, cybersecurity, aircraft engine production, and wind power. While most major investment projects were launched before the full-scale war and are currently limited due to ongoing war, they have not been discontinued. If these activities resume or expand in the medium to long term, they could pose risks to Ukraine's economic autonomy and its European integration trajectory. In the occupied territories, China's involvement includes economic exploitation and covert military support aligned with Russia's geopolitical interests. Another threat instrument deployed by China involves debt, Montenegro being the most evident case . This creates long-term dependencies that can be weaponised in times of geopolitical tension.

Türkiye has become an increasingly influential actor in both regions through investment in critical infrastructure, including transport (such as airports), energy, and telecommunications. In the WB6 its presence is particularly visible in Albania, Kosovo and North Macedonia, and in the EN3 is notable in Georgia and Ukraine. In Ukraine, Turkish investments in the military and defence sectors have grown significantly since Russia's full-scale invasion. While Türkiye's engagement contributes to connectivity and development, it also carries strategic implications. Its control over key sectors and infrastructure can translate into political leverage, potentially shaping domestic decision-making or limiting alignment with EU standards in the medium to long term. Of the Gulf states, the UAE in particular is associated with bypassing standard legal and transparency frameworks, fuelling corruption and enabling clientelist networks in the WB6, most notably in Serbia.

In addition, Serbia poses socio-economic threats for Kosovo. Economic blockades, trade barriers, and selective energy access not only impede Kosovo's economic development but also reinforce ethnic divisions and hinder reconciliation—undermining both countries' European integration pathways.

US engagement under the second Trump administration does not constitute a threat so much as a factor that may affect CC socio-economic resilience, most notably with the withdrawal of USAID. The potential reintroduction of US tariffs could also impact the WB6 and EN3. While the US does not maintain extensive trade relations with these countries, disruptions to trade with the EU - the largest trading and investment partner for CCs - would likely have negative consequences, ultimately hindering economic growth and EU investment flows into both regions.

1.1.2. Resilience

Achieving or maintaining socio-economic resilience while advancing EU accession is a crucial challenge for both regions. This is complicated by structural socio-economic vulnerabilities that increase exposure towards foreign malign interferences.

For example, most WB6 and EN3 countries are heavily reliant on remittances, external borrowing, and imports. This dependence renders them highly sensitive to global economic fluctuations and external shocks. Persistent trade deficits, chronic current account imbalances, and rising public debt further weaken their fiscal positions and limit their ability to respond effectively to crises.

While GDP growth in these countries has generally outpaced that of the EU, this has largely been driven by consumption rather than productivity gains, raising questions about long-term sustainability. The gap in economic development remains stark: GDP per capita across the two regions hovers at roughly half the EU average. Without a shift toward productivity-based and export-oriented growth, these economies risk being trapped in a cycle of vulnerability that undermines both competitiveness and convergence.

Economic fragility is compounded by persistent social vulnerabilities. Unemployment and poverty remain pervasive, while weak social safety nets limit the capacity of states to cushion citizens against economic shocks. Access to basic social protection systems—including pensions, unemployment benefits, and health insurance—remains uneven and often exclusionary.

Financial exclusion is another constraint. Large segments of the population operate outside formal banking systems, reducing their access to long-term and low-cost finance, savings, and investment opportunities. This not only aggravates poverty and inequality but also increases exposure to corruption and political manipulation, with informal financial channels becoming tools for patronage or coercion.

Gender disparities further worsen the picture. Female participation in the labour market is below EU levels, and gender gaps in pay and employment persist across both regions. The result is a labour market that fails to mobilise its full human potential and a social fabric that remains vulnerable to economic and political disruptions.

Resilience building is further undermined by internal shortcomings. These include politicised administrations, weak rule of law, and, in some countries, pronounced democratic backsliding, as seen most starkly in Serbia and Georgia. These dynamics limit state capacity to manage crises and dilute public trust in reform processes and EU integration.

Remittances act as crucial buffers against economic shocks, sustaining household consumption and compensating for scarce foreign investment, particularly in smaller economies like Kosovo and Moldova. Yet this resilience is double-edged: heavy reliance on remittances discourages domestic job creation, fuels brain drain, and locks economies into low productivity. Their geopolitical origin also matters — while EU-sourced remittances in the WB6 strengthen socio-economic ties with Europe, dependence on flows from Russia in the EN3 can turn financial lifelines into tools of leverage and destabilisation during periods of tension.

Ukraine stands out as a paradoxical case of both extreme exposure and remarkable resilience. Facing a full-scale war and hybrid aggression from Russia, Ukraine has demonstrated its capacity to sustain public administration and adapt economic activity. However, the forced displacement of millions, including the labour force, has created lasting demographic and economic disruptions, while corruption continues to drain public resources and weaken social cohesion. These dual pressures illustrate the limits of resilience when structural vulnerabilities intersect with protracted external aggression.

2. CURRENT EU POLICIES

The EU has been instrumental in strengthening resilience across both regions. Stabilisation and Association Agreements (SAAs) for WB6 and Association Agreements (AAs), including Deep and Comprehensive Free Trade Areas (DCFTAs) for EN3, have provided legally binding frameworks to bolster the socio-economic resilience of CCs. SAAs, although economically less ambitious than DCFTAs, have stimulated foreign direct investment and contributed to growing trade. The DCFTAs with Moldova, and Ukraine have been particularly effective in diversifying trade away from Russian markets, embedding EU standards into domestic production, and facilitating access to the EU's Single Market. However, Georgia's case shows that the DCFTA cannot boost trade when non-tariff barriers persist. These include costly transportation due to the lack of land border coupled with the country's limited production capacity. Other barriers include swings in foreign policy, including trade and economic relations towards non-EU countries such as those belonging to the Eurasian Economic Union.

Following Russia's full-scale invasion of Ukraine, EU trade and humanitarian measures proved to be effective instruments for resilience building. Solidarity Lanes and the EU's unilateral trade liberalisation under the Autonomous Trade Measures (ATMs) enabled Ukraine to maintain export flows despite Russian blockades. However, ATMs raised concerns in neighbouring EU Member States (MS), leading to farmers' protests where Ukrainian exports were perceived as undercutting local producers. The EU responded by activating emergency brakes on sensitive products, while the three neighbouring countries, Poland, Hungary and Slovakia, imposed unilateral import bans.

While the politicisation of trade, combined with the temporary nature of the ATMs, has created uncertainty for business planning and revealed structural weaknesses in the EU's short-term crisis instruments, a more sustainable solution has emerged through the DCFTA review. In terms of trade liberalisation, Ukraine stands to gain more from the revised DCFTA than from the original agreement, but less than it did under the ATMs.

Although less ambitious than ATMs, the DCFTA review provides predictability (unlike the ATMs, which are temporary measures). It could also help to defuse political tensions across the MS by limiting trade liberalisation to sensitive products and including a built-in safeguard clause that will enable the EU and Ukraine to trigger protective measures if trade starts to hurt domestic industries. Overall, the revised DCFTA offers a more sustainable path for deepening EU–Ukraine trade relations in the medium to long term compared to the ATMs which could only offer a temporary solution.

The activation of the Temporary Protection Directive in 2022, currently in place until March 2026, granted millions of displaced Ukrainians legal residence, access to work, healthcare, and education. This helped to alleviate socio-economic strains on host countries and demonstrated the EU's capacity for solidarity-driven resilience. However, extending the Directive beyond 2026 remains uncertain as it may not secure sufficient MS support. Some MS have already begun preparing legislation to gradually phase out special measures introduced for Ukrainian refugees who fled Russia's invasion.

In the energy sector, EU support — including the emergency synchronisation of Ukraine and Moldova's electricity grids with the European network (ENTSO-E), alongside targeted assistance for renewables and interconnectivity — has significantly reduced Russian energy dependence and strengthened regional energy security. In the WB however, political obstruction and delayed transposition of EU energy directives continue to hinder progress. Bosnia and Herzegovina and Serbia illustrate the limits of EU instruments when domestic political will to diversify energy sources is lacking.

Financial instruments such as Macro-Financial Assistance (MFA), particularly in its emergency form, have proven effective in providing rapid liquidity and fiscal relief during crises. Medium to longer-term structural support is delivered through the IPA, NDICI-Global Europe, and the newly introduced reform-oriented Facilities for the WB6, Ukraine, and Moldova. These Facilities, which incorporate both ex-ante and ex-post conditionalities, are designed to accelerate reforms and, in Ukraine's case, support reconstruction. However, key questions remain about the EU's consistent application of conditionalities throughout the accession process, as well as the political will and institutional capacity of candidate countries to meet the requirements for accessing EU financial support. Added to this are concerns about the administrative burden of the new financial instruments and the absorption capacity of CCs. For Ukraine, a further challenge concerns the scale of reconstruction needs, which vastly exceed the financial resources currently allocated under the Ukraine Facility - estimated to require funding nearly ten times greater than present commitments. Georgia, which had benefited from EU support under NDICI, is currently experiencing a freeze in EU assistance due to democratic backsliding. The EU has committed to redirecting these funds to support Georgia's civil society and independent media, though resources have not yet been disbursed.

3. POLICY RECOMMENDATIONS

The EN3 and WB6 countries face structural socio-economic vulnerabilities that make them highly exposed to malign external interferences. While EU support is instrumental for resilience building, its effectiveness is undermined at times by uncertainty. This relates to the temporary nature of EU crisis response mechanisms, weak domestic socio-economic policies and governance, and limited absorption capacity of EU funds. Concerns remain around the newly introduced Facilities, which are associated with extra administrative burdens for the CCs, as well as concerns related to the consistent application of conditionality.

To bolster socio-economic resilience in the WB6 and EN3 the following actions are recommended:

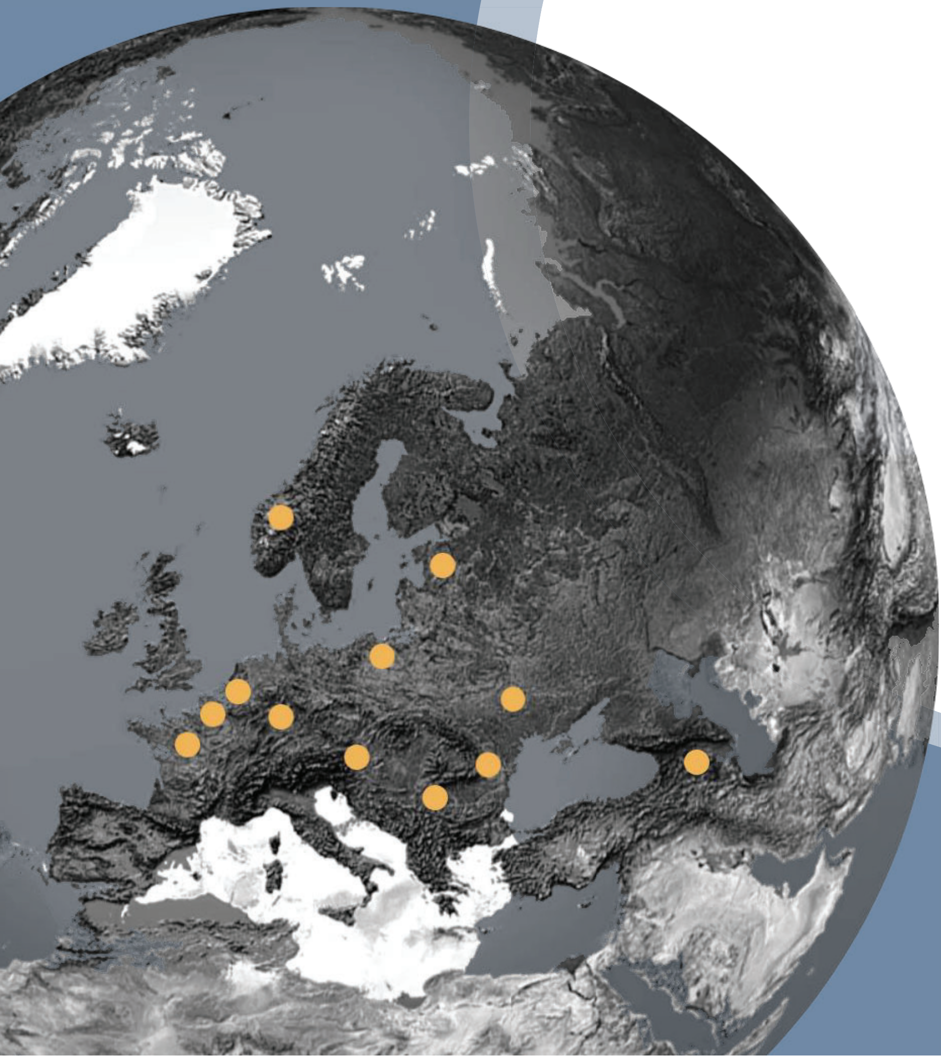
- **Aligning EU support with domestic reforms focused on building long-term resilience.** This is needed to address structural challenges such as weak safety nets, youth unemployment, brain drain, and lack of affordable finance for SMEs. To strengthen CC energy security, the EU should fast-track the integration of WB6 and EN3 countries into EU energy infrastructure and energy policies, invest in renewable generation and storage, and expand interconnectors to improve long-term energy resilience. The EU support should be paired with credible domestic reform efforts in the WB6 and EN3 to address these structural vulnerabilities and build lasting resilience.

- **Ensuring sustainable access to low-cost, long-term finance.** To this end, allocating more funds under the new EU Facilities is a promising step. The EU needs to keep putting forward systemic, continuous funding mechanisms that reduce reliance on emergency financial support, offer predictability, and prevent the vacuum that may be filled by external actors offering risky and opaque financial terms. The Ukraine Facility for example provides a critical framework but remains inadequate given Ukraine's colossal reconstruction needs. The EU should put forward a clear strategy for scaling up financial support, including through the potential use of frozen Russian assets. Increased EU funding should be coupled with increasing the absorption capacity of CCs through strengthening governance, institutional and administrative capabilities.

- **Strengthening the application of conditionality and upholding transparency and credibility.** Access to funds should depend on whether CCs meet the required conditions, using both the ex-ante and ex-post mechanisms built into the new Facilities. Conditionality should also be applied consistently across the entire accession process to incentivise judicial reforms, promote anti-corruption, and strengthen governance. This should contribute to building predictable, rules-based business environments that protect rights and property and form the basis for sustainable growth. The EU must also enforce high standards of transparency in public procurement and investment across both regions. Providing a clear contrast to the opaque practices of external actors such as China will reinforce the EU's credibility and strengthen the integrity of the enlargement process.

4. CONCLUSIONS

Strengthening the socio-economic resilience of the WB6 and EN3 is essential not only to bolster their capacity to withstand malign foreign interferences but also for the development and European integration of these candidate countries and to safeguard the EU's broader geostrategic interests. While EU support plays a critical role, its impact is at times limited by the temporary nature of its toolbox, the focus on emergency measures rather than long-term resilience, and weak domestic socio-economic policies and absorption capacities across many of the CCs. Going forward, the EU must prioritise instruments that address structural socio-economic vulnerabilities, apply conditionality consistently, and reinforce accountability throughout the enlargement process.



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