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Future EU Enlargement and the Single Market

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Foreword

For European and Swedish businesses, a well-functioning European Single Market is crucial for competitiveness, productivity, and growth. At a time of geopolitical fragmentation and shifting global competition, a larger European Union – and a larger Single Market – can unlock new opportunities for trade, investment, and supply-chain integration. Yet the resilience of an enlarged Union depends fundamentally on maintaining the integrity of the Single Market, where goods, services, capital, and people can move freely and compete fairly.

A central condition for this is that candidate countries demonstrate genuine readiness for deeper integration through a merit-based process – by strengthening institutions, aligning with EU legislation, and ensuring stable and predictable market conditions. At the same time, enlargement is not a binary question of being 'in or out'. Candidate countries are already integrating with the Single Market through multiple pathways: extensive trade agreements, EU funding, and participation in sectoral programmes, including in areas such as energy and transport.

These mechanisms of gradual integration draw countries closer to the Single Market, while they are not yet fully subject to all its rules. This is precisely where both opportunities and risks arise for Swedish and European companies. On the one hand, better conditions for doing business in new markets; on the other, the risk that premature concessions may distort and undermine the functioning of the Single Market.

This report explores these risks and opportunities as part of a broader effort to inform the enlargement process with an evidence-based, business-oriented perspective.

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Executive Summary

The accession of new Member States into the European Union also expands the Single Market. For Swedish companies, this can create new trade and investment opportunities, broader supply-chain integration, and access to dynamic growth regions – but also intensified competition, which can drive innovation and productivity. EU enlargement can therefore drive European growth and competitiveness.

At the same time, for such an expansion to strengthen the functioning of the Single Market, integration must be merit-based. This entails that candidate countries must demonstrate readiness for deeper integration by strengthening their institutions, aligning with EU legislation, and ensuring fair competition and predictable market conditions.

The EU's internal market accounts for over 70 per cent of Sweden's trade, and the integrity of this market is an important foundation for Swedish growth, investment and jobs. It is therefore strategically important for the Swedish business community that future enlargements strengthen a well-functioning, competitive, and rules-based Single Market. Enlargement can benefit companies in both the EU and candidate states if accession criteria – such as compliance with the rule of law, functioning market economies, and effective public administration – are strictly applied. If not, enlargement can lead to a distorted market.

The rigour of the accession process makes it both complex and long. That is why instruments for gradual integration are promoted. These pathways provide partial access to the Single Market prior to full membership, subject to certain conditions. They incentivise reforms through conditional EU funding to candidate countries. It is, however, important that these instruments do not distort competition or create fragmentation in the Single Market in a pre-accession phase.

The report presents the following key findings:

1. Compliance with EU acquis for the rule of law, efficient administration and functioning market economies is the foundation for a competitive Single Market. While several candidate countries are progressing, none currently adequately meet the political, administrative or economic dimensions of the Copenhagen criteria. Smaller economies, such as those in the Western Balkans, generally pose less systemic risk than Ukraine. Going forward, gradual integration initiatives should be monitored to determine whether they accelerate compliance with EU norms and standards.

2. Gradual integration is a collective term used to define the various instruments that facilitate economic cooperation with candidate countries – primarily taking the form of trade agreements and selective sectoral cooperation. The main threat to the Single Market arises not from the current design of gradual integration instruments, but rather from weak enforcement by institutions in candidate countries. Strengthening public administration, competition authorities, and courts must remain a priority in the enlargement agenda.
3. Overarching trade agreements such as the Stabilisation and Association Agreements (SAAs) for the Western Balkans and Association Agreements with Deep and Comprehensive Free Trade Areas (AA/DCFTAs) for Eastern European candidates progressively liberalise trade while aligning candidates' regulations with the EU acquis. Tariffs are largely eliminated and trade barriers reduced, facilitating market access. Businesses would benefit from targeted information on the trade-liberalising provisions of these agreements.
4. Recent initiatives for gradual integration allowing sectoral access to the Single Market remain narrow in terms of scope of application. They focus on areas of mutual interest, such as in energy connectivity, transport networks, digital and innovation programmes, public procurement, and industrial standards. Any expansion of sectoral access must carefully assess potential distortions to the functioning of the Single Market.
5. Gradual integration instruments include safeguards such as conditional access to funding, suspension clauses, and the possibility of reversing market access. These mechanisms must be transparently and rigorously enforced against the pre-determined criteria to prevent competition distortions or negative impacts to the functioning of the Single Market.
6. It is difficult to determine the utility of the gradual integration instruments in terms of driving economic integration and reforms in candidate countries. Aligning the evaluation of the reform criteria in gradual integration instruments and programmes with the formal accession screening process could enhance transparency and accountability.
7. Structured dialogue between EU institutions, candidate governments, and business organisations – including Swedish industry – should become standard in the design and monitoring of gradual integration going forward. This ensures that initiatives provide mutually beneficial access to the Single Market, support the development of market economies in candidate countries, and maintain the integrity of the Single Market.

1. Scoping the study

This report concerns the 'gradual integration' of states that are candidates for accession to the European Union, and its implications for the integrity of the Single Market.

The basis for this analysis is the value of the EU's Single Market for business interests, as a market of vast size with the ambition to have seamless internal borders for the movement of goods, services, capital and labour, together with a robust legal order assuring well-functioning market competition within and across borders, transparency, stability and predictability. The Single Market is, however, far from perfect, as the recent reports of Enrico Letta and Mario Draghi have pointed out, and European business interests are supporting many of their proposals to improve the competitiveness of the Single Market.

A successful further enlargement of the EU would further increase the value of the Single Market both in size and in possibilities to maximise complementarities between old and new Member States. This has been illustrated by the experiences of the Central European states that have acceded since 2004, with their successful integration into many supply chain structures.

However, there are risks as well as opportunities in engaging in trade and investment in candidate states in a pre-accession phaseas well as longer-term risks. Given the slow pace of progress in integrating the Western Balkans, enlargement fatigue has deepened in a number of these countries. The most evident practical risk for businesses is uncertainty over whether compliance by the candidate states with the Single Market acquis will really advance, and whether their legal systems will have the strengths of professionalism and independence from political interference.

To redynamise the reform and enlargement processes, the EU has adopted a new concept of 'gradual integration' to deliver some benefits of access to the Single Market before full accession to the EU, i.e. parallel to the ongoing formal accession negotiations. This report analyses its content as well as its advantages and risks for the functioning of the Single Market.

The concept of gradual integration has no formal or legal definition. It has emerged since 2022 in the documentation of the EU institutions and the discourse of senior EU and Member State officials to give fresh momentum to the stagnant pre-accession process of the Western Balkans, and to prevent Ukraine, Moldova and Georgia from falling into the same sluggish process. It aims at accelerating compliance with the EU acquis, offering priority access to selected elements of the Single Market, some limited participation in the EU's institutional system, and increased funding, subject to a complex of conditions.

The need to support wartime Ukraine financially led to the €50 billion Ukraine Facility decided by the Council in March 2024. However, this led to understandable concern that the Western Balkans should not be left behind, resulting in the Commission's proposal of the Growth Plan for the Western Balkans, which rapidly entered into force in May 2024[1]. The provisions of these and other earlier initiatives are detailed below.[2]

From a business perspective, the main reservation about the gradual integration initiative is whether it calls into question a key principle of the Single Market – namely, its quality as a holistic system requiring commitment to all its parts and refraining from 'cherry-picking' certain elements. Cherry picking risks creating distortions in the internal market when firms gain some rights but not the corresponding responsibilities, thus distorting competition. Gradual integration does indeed provide for selective 'internal market treatment' for just some parts of the Single Market acquis.

It is against this backdrop that the Confederation of Swedish Enterprise has fielded a set of questions, focusing on:

- Is gradual integration likely to compromise the Copenhagen criteria?
- Can gradual integration be married with the full application of Copenhagen conditionality to protect the integrity and functioning of the Single Market?

Our methodology is based on desk research of the documented legal, political and economic conditions for membership, supplemented by informal interviews with Commission officials. We have also interviewed a small sample of Swedish market operators, both big and small, in the manufacturing and service sectors, that are active in Member States that joined the EU in the last 25 years as well as in some of the current candidate states. This offers more vivid insights into the rationale and experiences of these Swedish enterprises. As a realistic starting point, a recent survey of the Confederation points out that "trade between Sweden and EU candidate countries is still limited, and Swedish foreign direct investment (FDI) remains modest, with occasional net outflows".[3]

[1] *Communication on a new growth plan for the Western Balkans,* COM/2023/691 final, 8 November 2023; and *Communication on pre-enlargement reforms and policy reviews,* COM/2024/146 final, 20 March 2024.

[2] See Emerson, M. and Blockmans, S., *A Redynamised EU Enlargement Process, but Hovering Between Accession and the Alternatives,* SCEEUS Guest Report No. 1, 28 January 2025.

[3] Confederation of Swedish Enterprise, EU Enlargement: How and Why it Matters to Businesses, September 2025, available at https://www.svensktnaringsliv.se/sakomraden/eu/eu-enlargement-how-and-why-it-matters-to-businesses_1239760.html

2. The Copenhagen criteria and the formal accession process

2.1. The Copenhagen criteria and the functioning of the Single Market

The Copenhagen criteria were initially defined by the European Council at its summit in the Danish capital in June 1993 under three main headings:[4]

- Political criteria: *Stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.*
- Economic criteria: *Functioning market economy and the ability to cope with competitive pressure and market forces within the EU.*
- Administrative and institutional criteria: *Ability to take on the obligations of membership – including the capacity to effectively implement the rules, standards and policies that make up the body of EU law (the 'acquis'), and adherence to the aims of political, economic and monetary union.*

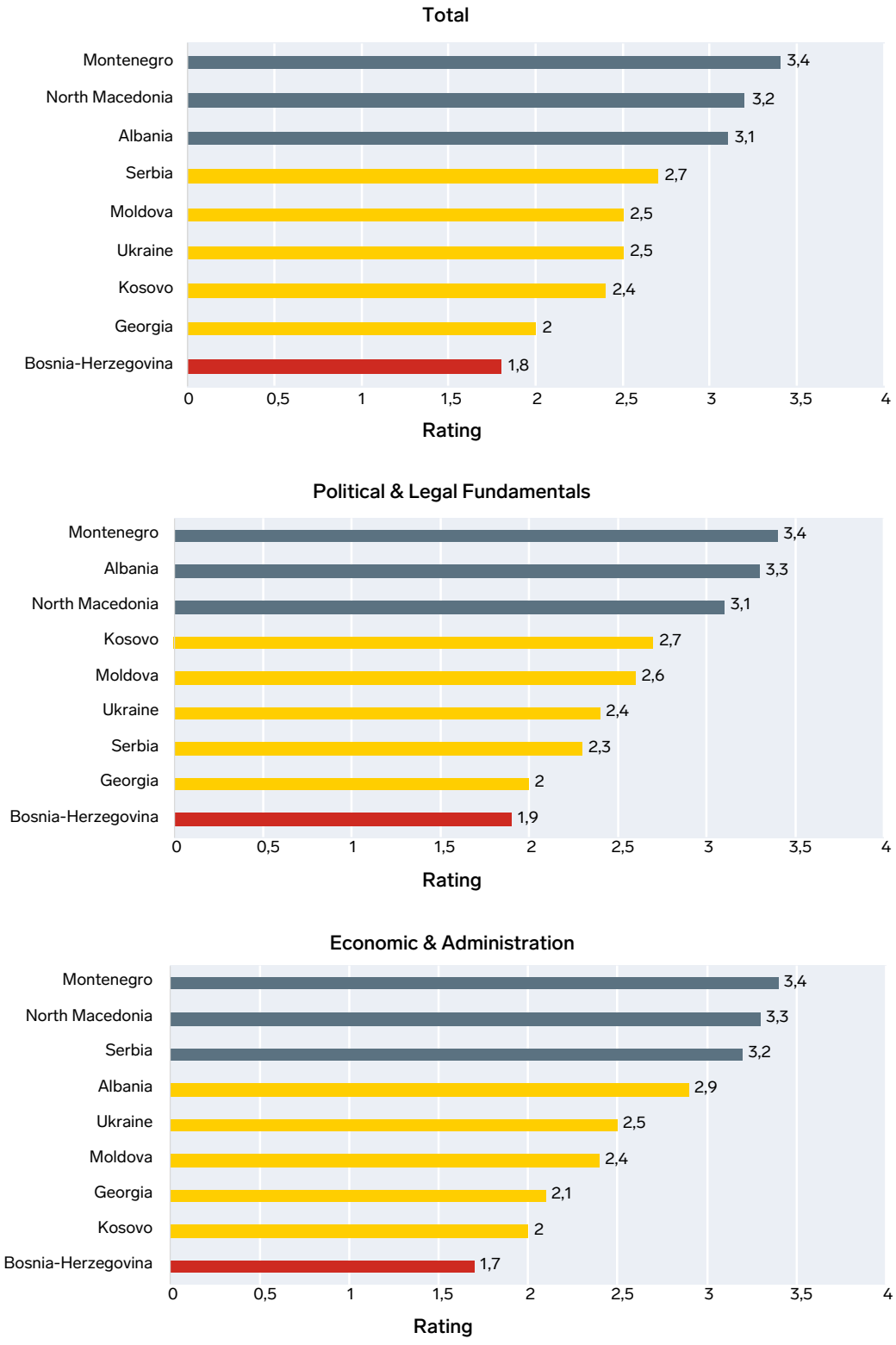
These summary criteria have been progressively refined and detailed as a result of the enlargements of 2004, 2007 and 2013, which doubled the number of Member States. Currently, the progress in preparations for membership by the candidate states is analysed by the Commission in 35 'chapters' of the acquis, the body of European Union law and policies. Each candidate country's progress in adopting and implementing the acquis is reported in annual 'Enlargement Package' documents (Commission, 30.10.2024). Each chapter is summarised with a five-level rating of preparedness for accession, as below. We have added numerical rankings to enable summation:[5]

- Advanced 5
- Good 4
- Moderate 3
- Some 2
- Early 1

[4] A fourth criterion, pertaining to the EU's ability to accommodate new members while maintaining the momentum of European integration, is not defined in legal terms.

[5] Emerson and Blockmans, supra note 2.

Figure 1: 2024 scorecard of candidates' levels of preparedness for accession



Source: Authors' own calculations based on the Commission's Enlargement Package of 30.10.24.

The procedures start with 'screening' by the Commission of how far the candidate state's laws and practice relate to the EU acquis. The screening concludes with a recommendation by the Commission on whether the relevant chapter should be opened. Whereas the EU Treaty prescribes unanimity only for the opening and closing decisions of accession negotiations, recent practice has seen the mainstreaming of unanimity throughout the entire pre-accession process. This is a result of Member States viewing enlargement as an issue affecting their domestic politics and economic interests.

The most recent detailed scorecard for 2024 is provided in Annex 1, using our numerical ratings. These scores indicate the level of preparedness for access to segments of the internal market. The ratings are aggregated and averaged in Figure 1, indicating the level of preparedness for the full integration of candidate states.

As shown in Table 1, to date only three candidates (Montenegro, Albania and Serbia) have been able to open a large number of chapters, and even in these cases the number of closures is small or zero. Of the other candidates, North Macedonia and Kosovo remain effectively blocked for political reasons unconnected with the EU acquis.

Table 1: Opening and closing of chapters of candidate states as of November 2025

	Opened	Closed
Montenegro	33	7
Albania	33	0
Serbia	22	2
North Macedonia	0	0
Bosnia and Herzegovina	0	0
Kosovo	0	0
Ukraine	0	0
Moldova	0	0
Georgia	0	0

Source: European Parliament, Fact Sheets on the European Union – The Union's enlargement and neighbourhood

According to the Commission, the screening process for Ukraine and Moldova could be completed promptly given the huge amount of preparatory work undertaken over the past decade under the Association Agreements (AA) between the EU and each of the East European candidate states, which include Deep and Comprehensive Free Trade Areas (DCFTAs).

2.2 Political criteria

Compliance with this first Copenhagen criterion is positive for the functioning of a market economy. It translates into heightened legal and regulatory certainty for Swedish/EU enterprises doing business with candidate states, reducing exposure to corruption and contract enforcement risks, and enhancing the effective functioning of the Single Market as a driver of competitiveness.

Regarding the democracy and rule of law ratings, according to the Commission none of the candidates achieve a 'good' (4) average level, with Montenegro and Albania scoring least poorly. Using another independent source for democracy ratings (Freedom House), comparisons may be made between the candidates and current Member States, including both pre- and post-2004 accessions.

Table 2: Democracy ratings

Pre-2004 EU	Post-2004 EU	Candidates
Finland 100		
Sweden 99		
Denmark 97		
Netherlands 97		
Luxembourg 97		
Ireland 97		
Belgium 96	Estonia 96	
Portugal 96	Slovenia 96	
Germany 95	Czechia 95	
Austria 93		
	Cyprus 91	
Spain 90		
	Latvia 89	
France 89	Slovakia 89	
Italy 89	Lithuania 89	
	Malta 87	
Greece 85		
	Croatia 82	
	Poland 82	
	Romania 82	
	Bulgaria 77	
		Montenegro 69
		Albania 68
		North Macedonia 67
	Hungary 65	
		Moldova 60
		Kosovo 60
		Serbia 56
		Georgia 55
		Bosnia 52
		Ukraine 51

Source: Freedom House, 2025

As seen in Table 2 above, around half of the latest cohorts of acceding states have sustained standards of democracy equivalent to core, pre-2004 Member States.

Of the other half of post-2004 acceding states, Croatia, Poland, Bulgaria, and Romania fall into a category somewhat lower than any of the pre-2004 Member States, while Hungary is losing ground. As for the candidate states, all also fall into this lowest category, roughly approximating the Hungarian rating, which confirms that none of the candidates currently achieves standards that would meet the first Copenhagen criterion. Confirming the Commission's findings, the independent Freedom House currently regards only Montenegro, Albania, and North Macedonia – all of which have achieved ratings somewhat above Hungary – as front-runners for accession.

The rule of law criterion is of most direct concern to the business community when it focuses on the problem of corruption. Table 3 provides data from another independent source, Transparency International. The pattern is none the less similar to that for the democracy criterion, with candidate states falling behind the worst-performing pre-2004 Member States and only some achieving the level of the worst-performing post-2004 Member States.

Table 3: Corruption perceptions

Pre-2004 EU	Post-2004 EU	Candidates
Denmark 90		
Finland 88		
Luxembourg 81		
Sweden 80		
Netherlands 78		
Ireland 77		
Germany 75	Estonia 76	
Belgium 69		
Austria 67		
France 67		
	Lithuania 63	
	Slovenia 60	
	Latvia 59	
	Slovakia 59	
Portugal 57	Croatia 57	
Spain 56	Cyprus 56	
	Czechia 56	
Italy 54	Poland 53	Georgia 53
Greece 49		
	Malta 46	Montenegro 46
	Romania 46	Kosovo 46
	Bulgaria 43	Moldova 43
		Albania 42
	Hungary 41	
		N. Macedonia 40
		Serbia 35
		Ukraine 35
		Bosnia-Herz. 33

Source: Transparency International, 2024

2.3 Economic criteria

Meeting the economic criteria requires a functioning market economy and the ability to withstand competitive pressure inside the EU. This entails stable macro-economic policies, strong financial systems, and fair competition – factors that are foundational for a well-functioning Single Market. If malfunctioning market economies that are not yet competitive are integrated prematurely, the Single Market risks distortions through subsidies, market imbalances, and pressure for protectionist safeguards, weakening its functioning as a market economy.

For the Copenhagen economic criterion concerning the 'functioning market economy' and 'capacity to withstand the competitive pressures of membership', the Enlargement Package 2024 documents provide explicit ratings (lines 2.3.1 and 2.3.2 in Annex 1). Here only Serbia, North Macedonia and Albania achieve some 'good' ratings for a 'functioning market economy'. Serbia's good economic rating, however, was coupled with one of the lowest democracy ratings.

When all the detailed economic and Single Market chapters are considered (as in Figure 1) Serbia, Montenegro, North Macedonia and Albania score best, with a considerable number of opened chapters rated 'good' (Annex 1), but none at an average 'good' level.

However, all candidate states are still far from meeting the compliance criteria of the Single Market acquis. For Swedish and other EU businesses, this means uncertainty and complications in business regulations plus extra costs when trading or investing in an enlarged but fragmented EU market, whereas good compliance with the EU acquis provides clarity and the promise of stability in the business environment. The negotiating chapters in cluster 2 covering the Single Market (i.e., the four freedoms and competition policy) are more important than the narrow sectoral areas of the EU acquis listed in cluster 3 (i.e., education and culture).

The Eurobarometer has recently published interesting surveys of enterprises in the EU and four of the candidate states (Montenegro, North Macedonia, Albania, and Serbia), providing a wider view of the problems for business in the candidate states compared with the EU average. Table 4 shows the problems perceived to be more, or less, severe in the four candidate states as compared with the EU Member State average.

Table 4: Business perceptions of very or quite serious problems in the EU and selected candidate states, %

	European Union	Montenegro	North Macedonia	Albania	Serbia
Corruption	35	47	54	63	53
Patronage & nepotism	36	51	45	53	33
Complexity of business procedures	66	56	56	53	60
Fast-changing legislation and policies	64	54	57	64	60
Inadequate infrastructure	39	70	63	63	37
Lack of procedures for overdue debt	42	43	52	51	40
Restrictive labour regulations	46	27	37	34	32
Tax rates	63	42	42	53	51
Access to financing, credit	35	41	43	38	29

Red: problems more serious than EU average. **Green:** less serious.

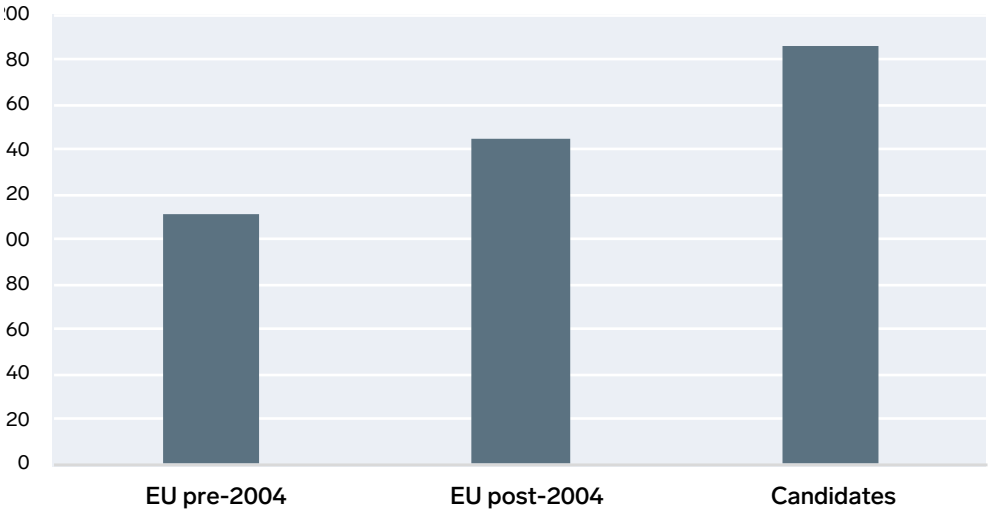
Source: Eurobarometer Report, *Businesses' attitudes towards corruption in the EU and in selected enlargement countries,* January-February 2025.

In terms of the problem of corruption among the candidate states, the survey results confirm what has been reported above. On the other hand, some problems are perceived to be more serious in the EU than the candidate states; notably, the complexity of business procedures and regulations.

Serbia stands out, as businesses perceive lesser economic problems than the other candidate states. This contrasts with its very unfavourable rating on democracy, signalling that perceptions of the business climate may not always be correlated with perceptions of the political climate.

As regards the quality of implementation of the Single Market acquis, there is no comprehensive data for 'new' or 'old' Member States corresponding to that provided by the Commission for the candidates (as in Annex 1). However, macroeconomic data reveal the post-2004 enlargements are an economic success story, with GDP catch-up on the pre-2004 Member States. Growth has been faster still among the candidate states (apart from Ukraine, which has understandably been held back by the war with Russia) (Figure 2).

Figure 2: Cumulative real GDP growth index of EU Member States and candidates, 2004-2022, % (unweighted average, 2004=100)[6]



Source: own calculations based on data worldbank.ord

[6] EU-15 pre-2004: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom, Austria, Finland, and Sweden.
EU post-2004: added Cyprus, Czechia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.
Bulgaria and Romania joined in 2007, Croatia in 2013.
The UK left the EU on 31 January 2020.

2.4 Administrative and institutional criteria

The uniform implementation, administration, and enforcement of EU regulations is another essential component for the proper functioning of the EU Single Market. This ensures equal operating conditions for businesses and consumers, and a seamless functioning of the four freedoms guaranteeing the free movement of goods, services, capital, and people. Without strong institutions, monopolies or unfair practices could distort markets, harming both domestic and EU businesses. If a country has weak institutions or only selectively enforces EU laws, it creates uneven standards and legal uncertainty, which leads to delays, higher transaction costs, and barriers to cross-border trade. This kind of fragmentation undermines the integrity of the Single Market, giving some firms unfair advantages and weakening trust among Member States.

At first sight, only the first cluster of the accession process appears to explicitly cover 'public administration reform'. However, the results under this broad heading have to be averaged out for all economic and administrative chapters that touch on institutional and administrative reforms (Figure 1, above). After all, work on the Single Market chapters aims at both technical requirements and administrative capacities for implementation, monitoring and enforcement. Acceding states must also ensure that they are able to participate fully in EU decision-making by, among other things, setting up the necessary bodies and mechanisms at home. Independent courts and transparent governance are essential for building trust that contracts will be honoured and disputes resolved fairly. Furthermore, institutional strength reduces risks for foreign direct investment (FDI), which is key for economic growth.

The World Bank's Worldwide Governance Indicators[7] measure the quality of public administration, regulatory implementation, and the credibility of policy enforcement, showing how reliably governments apply rules in practice. Table 6 highlights that most pre-2004 EU members, such as Denmark and Luxembourg, score the highest, reflecting strong administrative traditions, while there is wide variance among post-2004 members. Some post-2004 EU countries rank at the lower end, demonstrating that EU accession does not automatically translate into strong governance. Most candidate states fall below these levels, although Albania and Montenegro outperform several EU members (Georgia has paused its pre-accession track). The other candidates rank substantially lower, indicating deeper institutional weaknesses that would hinder the consistent enforcement of EU rules.

[7] https://www.worldbank.org/en/publication/worldwide-governance-indicators

Table 5: Governance Efficiency

Pre-2004 EU	Post-2004 EU	Candidates
Denmark 2.02		
Luxembourg 1.91		
Finland 1.74		
Netherlands 1.63		
Sweden 1.60		
Ireland 1.59		
Austria 1.33		
	Estonia 1.26	
Germany 1.19		
France 1.14		
	Czechia 1.11	
	Lithuania 1.05	
	Slovenia 1.04	
Belgium 1.04		
Portugal 0.99		
		Georgia 0.79
Spain 0.75		
	Cyprus 0.74	
	Croatia 0.71	
	Latvia 0.70	
Italy 0.61		
	Poland 0.42	
	Malta 0.40	
	Hungary 0.37	
		Albania 0.25
		Montenegro 0.25
	Slovakia 0.23	
Greece 0.15		
		Serbia 0.01
	Bulgaria 0.05	
		North Macedonia -0.05
		Kosovo -0.08
	Romania -0.09	
		Moldova -0.16
		Ukraine -0.36
		Bosnia -0.97

Note: Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Source: World Bank, Worldwide Governance Indicators

3. Gradual integration and its mechanisms

The term 'gradual integration' is not defined in legally precise terms but rather serves as a loose umbrella concept used in current EU discourse and documentation. The purpose is to develop a fresh dynamic for the enlargement process, embracing both new initiatives and pre-existing policies and mechanisms. The Commission's most explicit and detailed explanation of 'gradual integration' was provided in its March 2024 Communication on *Pre-enlargement Reforms and Policy Reviews*. A key point is that while the Ukraine Facility and the Growth Plan for the Western Balkans described below (section 3.3) are the new mechanisms marking the start of the 'gradual integration' initiative, the many earlier instruments (sections 3.1 and 3.2) are themselves in practice implementing gradual integration and providing solid foundations for the new initiative.

3.1 Overarching treaties

There are two overarching treaty frameworks that are operationally ongoing in parallel with the accession process: the Stabilisation and Association Agreements (SAAs) for the Western Balkan six, and Association Agreements with Deep and Comprehensive Free Trade Areas (AA/DCFTAs) for the East European trio. While both precede, by many years, the adoption of 'gradual integration' as a policy slogan, both types of treaties provide the political framework and legal basis for step-by-step integration measures.

3.1.1 SAAs for the Western Balkans

The SAAs established bilateral contractual relationships between the EU, its Member States and each of the Western Balkan candidate states, defining mutual rights and obligations over a wide variety of sectors. Signed between the years 2001 and 2015, the SAAs focus on respect for key democratic principles and core elements that are at the heart of the EU's Single Market. They aim to establish an area that allows for free trade and the application of European standards in other areas such as competition, state aid, and intellectual property. Other provisions cover political dialogue along with cooperation in a wide variety of sectors ranging from education and employment to energy, the environment and justice and home affairs.

The structure of the SAAs prefigures the contents of treaties of accession, the content is in many areas incomplete or imprecise and includes many transitional steps, and the crucial section on the 'Approximation of Laws' is limited to an unspecific 'gradual approximation of EU law'. The SAAs provide the necessary legal basis for the pre-accession process but are not driving-force mechanisms in terms of content. Reform is driven by monitoring and reporting by the European Commission and the prospect of accession itself.

Tariffs between the EU and the Western Balkan states have, however, been largely scrapped under the SAAs on both sides, with a few exceptions for agricultural produce under the terms of so-called Interim Agreements contained in the SAAs. These Interim Agreements contain free trade area provisions along with a comprehensive set of legal safeguards, including a suspension clause in the event of disregard for 'Essential Elements' of the SAA (e.g. political criteria), through to trade and balance of payments safeguard measures. For example, non-compliance with state aid and competition policy rules can lead to the imposition of countervailing duties under WTO-consistent procedures. The gradual integration measures in no way undermine these safeguards.

SAAs create opportunities for Swedish and other EU businesses by facilitating access to new markets and reducing trade barriers, providing a framework for economic cooperation, and promoting political stability through gradual economic and legal alignment with the EU

3.1.2 AA/DCFTAs for the East Europeans

The commitments enshrined in the AA/DCFTAs for Ukraine, Moldova and Georgia go a bit further than the earlier SAAs with the Western Balkans and are virtually the same in content as the chapters and clusters of the formal accession process.[8] Each chapter has an annex listing EU regulations or directives with specified timelines for compliance, numbering around 300 legal texts in all (around 1000 pages of text).[9] Although these agreements date back more than a decade, their annexes have been updated. As such, the AA/DCFTAs provide comprehensive preparation for accession. Businesses with specific sectoral interests are able to see exactly what EU laws will have been or are due to be adopted.

The DCFTAs anticipated the gradual integration initiative in a precise way, namely by identifying four sectors for which 'internal market treatment' could be agreed before accession. These sectors in the Ukraine DCFTA are financial services (Article 124), telecommunications (Article 123), postal and courier services (Article 139) and international maritime transport (Article 144). The decision to recognise internal market treatment in these sectors is taken by the EU-Ukraine Association Council on condition that Ukraine has adopted and is applying the relevant EU laws. None of the sectors has yet seen such a decision.

[8] For a comparison, see Chapter 4 of Blockmans, S., *The Obsolescence of the European Neighbourhood Policy,* Rowman and Littlefield International, 2017 (available on the CEPS website).

[9] Emerson, M. and Movchan, V., eds., *Deepening EU-Ukrainian Relations: Updating and Upgrading in the Shadow of Covid-19,* third edition, Rowman and Littlefield International, 2021 (available on the CEPS website).

On 30 June 2025, the Commission announced that it had concluded negotiations with Ukraine on a review of the DCFTA, reaching an agreement 'in principle', to be refined into a legal text for adoption by the EU-Ukraine Association Committee.[10] The review is described by the Commission as contributing to "the gradual integration of Ukraine into the EU's Single Market". The core content of the review pertains to normalising trade relations after the exceptional period of total unilateral liberalisation by the EU, which began soon after the 2022 Russian invasion (see section 3.3.2).

Paradoxically, when first signed, the AA/DCFTAs originally did not offer 'membership perspectives' but were rather a form of deeper partnership. They now serve as the legal basis for the pre-accession process, with valuable experience built up over the past decade regarding requirements for acquis compliance.

3.2 Sectoral initiatives

3.2.1 Energy

The ***Energy Community*** was initiated in 2005 by the EU with the Western Balkan states, extended later to the three East European countries. The aim is to encourage strict acquis compliance with the entire energy and environmental acquis, but without enforcement powers. Its annual reports provide detailed guidance for interested businesses on the regulatory measures to be expected. All 41 legal instruments are rated for the degree of conformity by the candidate states on a scale of 0 to 100%. The scores recorded in 2024 compared with 2020 mainly show declining performance, mainly reflecting failure to keep pace with the continuing rapid evolution of the EU's legislation.

Table 6: Average ratings of compliance of candidate states with the EU's energy and environmental acquis, %

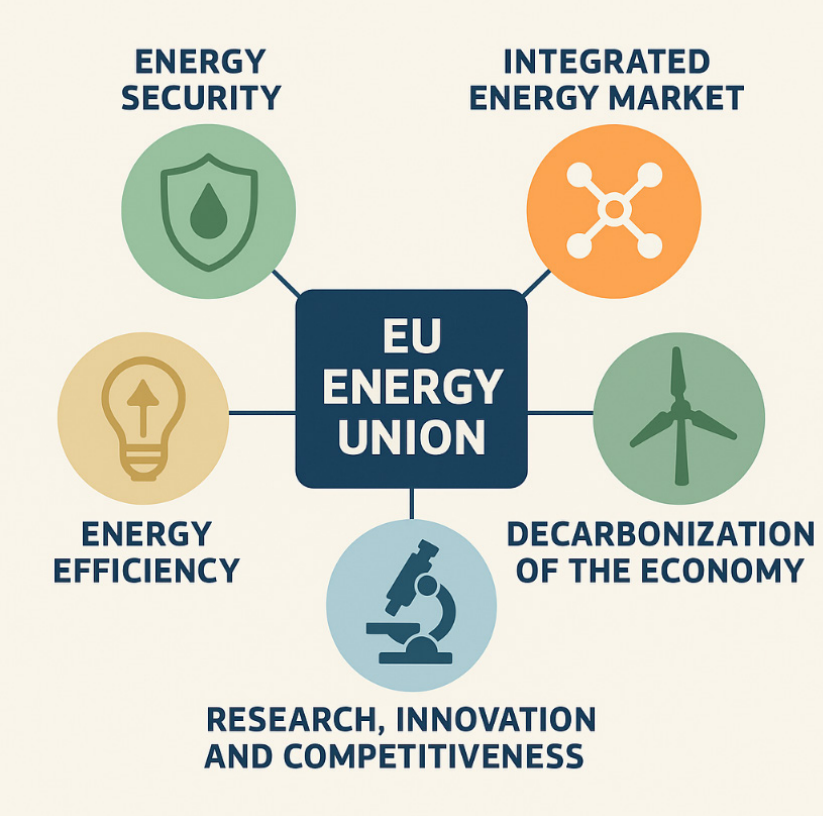
	2020	2024	
Albania	54	50	↓
Bosnia & Herzegovina	39	30	↓
Kosovo	56	50	↓
Montenegro	69	50	↓
North Macedonia	59	50	↓
Serbia	56	55	↓
Georgia	36	51	↑
Moldova	45	66	↑
Ukraine	61	54	↓

Source: Energy Community, Annual Reports 2020 and 2024

[10] European Commission, Press Release June 30, 2025, Russia's war of aggression against Ukraine: Council extends economic restrictive measures for a further 6 months.

Related (but institutionally separate) is the ***Energy Union***, launched by the EU in February 2015 following Russia's formal annexation of Crimea in 2014. Despite its name, the Energy Union has no formal legal basis but rather embraces cooperation in a wide range of market, security, climate and innovation aspects (Figure 3). Its overarching objective is to reduce the EU's dependence on external (Russian) energy sources.

Figure 3: Content of the Energy Union



Source: European Commission

Energy projects of common interest, such as electricity grids and gas pipelines, are identified for potential EU funding. The various actions taken are regarded as implementing the European Green Deal and furtherance of the objective to achieve climate neutrality by 2050.[11]

A major project has been the connection, in 2022, of Ukraine's and Moldova's electricity grids with the EU's grid. Ukraine had been, for some time, preparing accession to the ***European Network of Transmission System Electricity Operators (ENTSOE-E)***, an association of operators from 35 European countries of the EU and close neighbours (Norway, Switzerland, and the Western Balkans, Ukraine and Moldova). Ukraine and Moldova achieved full synchronisation with ENTSOE-E on

[11] https://energy.ec.europa.eu/strategy/affordable-energy_en

16 March 2022 in tandem with cutting links with the Russian-led grid. Concretely this has permitted both the import and export of electricity through connectors with Slovakia, Romania, Hungary and Poland under wartime conditions, avoiding blackouts when Russia strikes Ukraine power networks.

3.2.2 Transport

There are many useful cooperative activities between governments that should facilitate improved logistics for businesses. Since 2017, the ***Transport* Community** follows broadly the same idea as the Energy Community – currently applying only to the Western Balkans, with the possible future participation of Ukraine, Moldova, and Georgia. The Commission regards this as an instrument for advancing the transport acquis in general, but without enforcement powers. Regional transport networks in the Western Balkans and the extension and upgrading of Trans-European Transport Networks (TEN-T) are supported to improve transport connectivity.

Bilateral aviation agreements based on the ***European Common Aviation Area*** are encouraged. These agreements aim to create a single aviation market with neighbouring countries, promoting regulatory convergence and economic benefits such as increased market access, lower fares, and more routes. Examples of such agreements exist with the Western Balkans, Georgia, Moldova, and Ukraine.

There is currently a prolongation of the EU's wartime ***Road Transport Agreement*** with Ukraine. This agreement allows road hauliers to operate in each other's territory without the need for permits "unless one of the parties disagrees and has solid evidence that there is a major disturbance of its road transport market".[12]

3.2.3 Digital

The EU's digital policies have continuously grown in importance, most recently with the Draghi report[13] identifying this sector as crucial for the EU's international competitiveness and endorsed by the Commission. There is a huge amount of activity in this broad domain, with multiple and partially overlapping initiatives. The objective is for candidate states to align with the EU's digital laws.

The ***Digital Single Market*** of the EU started with a strategy document from the European Commission in 2015, aimed at eliminating or reducing divergent national regimes among Member States to lower cross-border barriers to digital goods and services. Major policy initiatives include the ***Digital Services Act*** and ***Digital Markets Act***, both of which came into force in 2022. The Digital Services Act regulates online services used by citizens in their daily lives. The Digital Market Act seeks to prevent giant digital corporations (five US corporations, one European corporation and one Chinese corporation) have been identifies as 'gatekeepers') from abusing their position in the markets from a competition policy standpoint. The candidate states, especially Ukraine and Moldova, prepare alignment on these laws, including

[12] EU and Ukraine update and extend Road Transport Agreement - Enlargement and Eastern Neighbourhood

[13] Draghi, M., 2024

more recent legislation such as the Data Act, Cyber resilience Act and AI Act. The Digital Agenda (below) prepares the Western Balkan states.

The ***Digital Agenda*** began in June 2018 as an initiative of Western Balkan states and the European Commission. This wide-ranging agenda includes EU investment grants of €30 million in broadband connectivity, increased cybersecurity, and strengthening of the digital economy and society. Annual digital summits review progress and update priorities with highly detailed 'action plans'.[14]

Box 1: Ericsson – A Swedish telecommunications giant active everywhere.

Ericsson is present everywhere, including in the smallest Balkan economies, supplying telecommunications infrastructure equipment and associated technical support services. There are no specific market access challenges in the candidate states, as the products have been standardised for the European and global marketplace and Balkan economies have been coordinating policies with relevant EU and international institutions (ITU). The candidate states do not produce telecom equipment, but the exchange is not entirely one-sided, with business partners in Ukraine supplying various software services that are integrated into the company's uniform product worldwide. In addition, the company has a majority shareholding in a Croatian company in the same sector, which has become a major supplier of consulting expertise to telecommunication enterprises in other Balkan states that are candidates for accession. The EU has made security in telecommunications a key priority, including for the candidate countries. It is essential that the candidate countries follow the agreed protocols on implementing DSM reforms and conduct timely implementation such as NIS2 and EU 5G toolbox during 2026.

The candidate states are not formal members of the EU's ***Single Digital Gateway,*** which establishes a one-stop online access point for key administrative procedures (e.g. proof of residence, birth certificate, registration of a business). However, the candidates are all involved in preparatory steps, as part of the accession process and gradual integration. Ukraine, Moldova and Serbia are rated as the most advanced candidate states. An OECD study published in 2025 assessed the state of preparedness of the Western Balkans with regards to the Single Digital Gateway with divergent results. Serbia, North Macedonia and Albania score well, with poor results for Kosovo, Montenegro, and Bosnia and Herzegovina.[15] According to the OECD, the greatest risk is that partial, uneven, or poorly governed digital integration by Western Balkan states could create pockets of incompatibility within the Single Market, hindering interoperability, data protection consistency, and mutual trust.

Roaming ('Roam Like at Home'), which eliminates cross-border telephoning charges, has been operational within the Western Balkans since 2021 as a regional regime for free-roaming, aligned with EU standards, with the objective of full integration into the EU system in 2028-2030. In June 2025, the Commission proposed fully integrating Ukraine and Moldova into the EU roaming area in 2026. This requires alignment on the EU's regulations, which is underway. Full inclusion in the EU's roaming system will be highly valued by companies and citizens with cross-border interests.

[14] Commission, 2.4.24, and 2.4.24 bis.

[15] OECD, Sigma paper No. 74, 2025.

The broader digital sector is especially interesting for Ukraine and some Western Balkan countries, considering their strong professional skills and industrial capabilities in this field, illustrated by Ukraine's drone warfare advances. Ukraine aims at aligning with the EU's digital regulatory regime, which is still work in progress. It was able in December 2022 to join the ***Digital Europe Programme***, an investment funding mechanism with €7.5 billion of EU budget funds for the years 2021-2027. This reflected the fact that Ukraine already has one of the most advanced e-government systems in Europe and has aligned parts of its legislation with EU digital legislation.

Box 2: Sigma Software – A Swedish IT company takes a major stake in Ukraine

Sigma Software is a major player in digital software consulting, employing 2,000 IT personnel worldwide, of which half are in Ukraine. The Swedish company has a substantial interest in a Ukrainian subsidiary, which in turn has affiliated offices in thirteen Ukrainian cities. These Ukrainian facilities are primarily export-oriented with a majority of sales going to the US, then to Nordic markets and the rest mainly to other EU countries. The multi-city structure of their operations in Ukraine sees various specialised centres of competence. Export of these services encounter no tariffs on cross-border supplies. Exports to the EU have to be GDPR-compliant regarding personal data and AI Act, if the services include AI solutions. The Ukrainian IT sector benefits from a very favourable tax and labour law regime. As a result of booming demand their wage levels have risen very fast to close to Swedish levels.

3.2.4 ACAA

An ***Agreement on Conformity Assessment and Acceptance (ACAA)***, under negotiation with Ukraine for years, will authorise EU conformity assessments (CE mark) to be completed by Ukrainian enterprises for machinery and equipment without testing in the EU. It is due for finalisation during 2025. Sometimes called an 'industrial visa-free regime', the agreement will cover major sectors of the manufacturing industry, notably machines, low-voltage equipment for many household goods, and equipment requiring electro-magnetic compatibility.

The ACAA is an important example of giving partial internal market access prior to membership. However, to qualify full compliance with the relevant EU technical regulations and standards, as well as conformity assessment procedures are required. It will significantly reduce the non-tariff barriers for European enterprises to undertake manufacturing supply chain investments in Ukraine.

Prior to ACAA finalisation, EU companies have other options for receiving conformity assessments for their supply chain investment products in Ukraine, as demonstrated by the example in Box 3.

Box 3: Nespresso – Supply chain investment in Ukraine.

Though not a Swedish company, the Nespresso enterprise is a rare example so far of a European manufacturer of a strongly branded product bringing Ukraine into their supply chain. Nespresso produces coffee machines in Ukraine for export to the EU market. These products enter the EU market carrying the CE conformity assessment symbol, which requires compliance with stringent procedures (although not yet under an ACAA agreement - see above). Much more supply chain integration with candidate states is expected to develop with their accession, akin to Central European states' rapidly integration into EU supply chains as part of their economic convergence.

Source: These are the authors' own observations, which could not be verified with the company.

3.3 Newer instruments and developments

3.3.1 Ukraine Facility

The facility entered into force in 2024 for a four-year period from 2024 to 2027, endowed with €50 billion of loans and grants. It aims to assure Ukraine's economic survival during the ongoing war, while supporting reforms relevant for the formal accession process. The Ukraine Facility provides a plan with 69 reforms and 10 investment areas, with disbursements conditional on progress.

The funding is structured under three 'pillars'. Pillar 1 is the most important, endowed with €38.27 billion, mainly loans (€33 billion) as compared with grants (€5.27 billion). An exceptional amount of €6 billion was assigned to macro-financial support, disbursed in March and April 2024. In the event that Ukraine fails to implement all the conditions, there is an elaborate formula for pro-rating down the payments accordingly[16].

Pillar 2 consists of a 'Ukraine Investment Framework', endowed with €7.8 in loan guarantees and €1.5 in grants. This is intended to support investment in Ukraine's recovery and reconstruction with a range of financial instruments (loans, equity investments, guarantees, technical assistance) in collaboration with institutional

[16] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025XC02114

partners including the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). Coordination with donors and investors takes place at the annual Ukraine Recovery Conference. These developments can provide contractual opportunities for companies active in the broader reconstruction sector (see Box 4).

Pillar 3, endowed with €4.76 of grants, provides technical assistance in support of measures to secure Ukrainian alignment with EU laws, along with other initiatives such as interest rate subsidies on loans from the EU, and civil society capacity building.

Box 4: Sweco - Swedish company positioned for Ukraine reconstruction

Sweco is a leading consultancy enterprise in the domains of architecture and construction engineering, with notable focus on water, energy and transport infrastructure, aiming at sustainable cities and communities. As regards the markets in candidate states, Sweco is since the 1990s already active on the Ukrainian reconstruction and development challenges and opportunities. The growth of the Ukrainian market is contingent on a satisfactory end to the war. The company has operating subsidiaries in 12 EU Member States, Norway and the UK, but none yet in candidate states. It would like to expand into the Balkans, but this will have to wait for their accession to the EU to become a closer prospect. Its projects in Ukraine are predominantly funded by international donors, including the European institutions and bilateral funders like Swedfund. The precise shape and organisation of funding the future huge Ukrainian reconstruction remains to be worked out. Projects there are typically subject to competitive tenders by the international financial agencies, which broadly excludes problems of corruption. The main market distortion encountered is the tying of procurement to national sources in the case of the agencies of various EU Member State agencies. While a number of professions are protected in Ukraine, the company has no problems in engaging competent Ukrainians.

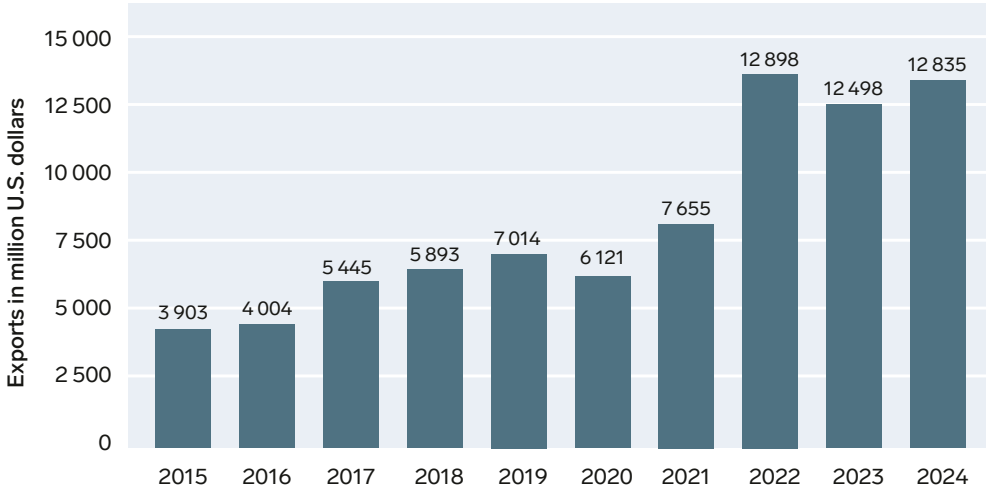
3.3.2 Trade trends with wartime Ukraine

At the onset of the war in 2022, the EU adopted 'Autonomous Trade Measures' that suspended tariffs and quantitative restrictions on trade with Ukraine[17] and waived various Single Market conditions for some sectors (notably road transport).

The trade liberalisation measures have been of most significance for the agricultural and steel sectors. Most controversially the substantial flow of cereals into the EU led to protests started by Polish farmers' organisations, with support from Hungary, Slovakia, Bulgaria and Romania. There was indeed a big jump in Ukraine's agricultural exports to the EU in 2022, which has been sustained notwithstanding the war (Figure 4). The Commission investigated whether imports from Ukraine had an actual market distorting impact. It concluded that there was no evidence of market distortion, but Poland nevertheless proceeded to unilaterally limit cereal imports from Ukraine and provide financial compensation for farmers.

[17] Eurostat online data code SS-045409.

Figure 4: Ukraine exports of agricultural products to the EU, 2015-2024, US$ millions



Source: Statista, https://www.statista.com/statistics/876118/ukraine-agricultural-exports-to-the-eu/

This exceptional tariff regime was discontinued in June 2025, replaced by a new regime on which agreement in principle was announced on 30 June 2025[18]. The new agreement provides for limited increases in EU tariff quotas for imports from Ukraine of cereals, sugar, honey, poultry and eggs. Less 'sensitive' products such as fermented milk and grape juice are fully liberalised. Ukraine will increase its tariff quotas for imports from the EU of pork, poultry and sugar. There will be a safe-guard clause that can be invoked by one or more EU Member States in the event of 'damages' from increased supplies.

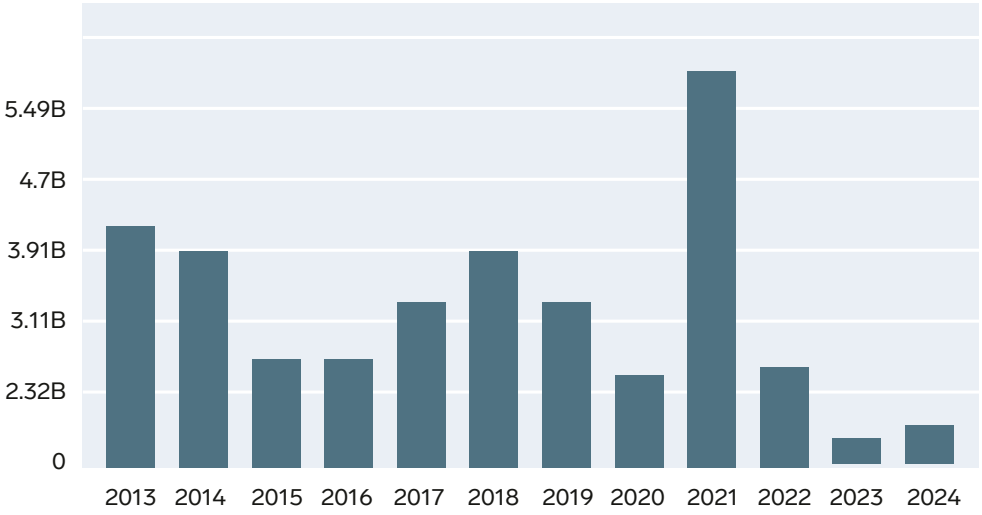
Steel has been a major export commodity for Ukraine. In 2021, EU imports from Ukraine of steel products reached a record high level of over €5 billion (Figure 5), due in part to the rebound of demand after the Covid19 pandemic, with very high global steel prices. The subsequent collapse of these imports was largely due to the war and Russia's progressive occupation of the Donbas region, and particularly the city of Mariupol with its huge steel plants. Total production collapsed from 21 million tonnes in 2021 to 6 million tonnes in 2022 and has only partially recovered since then.

From June 2022, the EU fully exempted Ukraine from tariffs, quotas and other safeguard measures for steel products. These exemptions have been extended and now run through 2028. This entails that despite the European Commission's recent proposal from October 2025 to tighten quotas and raise tariffs on steel imports into the EU, Ukraine – as a candidate country in an exceptional security situation – will be given specific consideration under the new import regime, potentially preserving or carving out duty-free access for Ukrainian steel despite the broader protection measures.

[18] European Commission, Review of the Deep and Comprehensive Free Trade Area with Ukraine Questions and Answers, https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/b43ae-ba7-32ce-43b6-846f-5c8c7d9fba70/details?download=true.

Also worth noting is that from 2026 the EU's Carbon Border Adjustment Mechanism (CBAM) will potentially hit Ukraine's exports to the EU, unless a transitional exemption from 2023 to 2025 is extended or Ukraine introduces an emissions trading system along EU lines.

Figure 5: Ukraine exports of steel products to the EU, US$ billions



Source: Trading Economics, Comtrade https://tradingeconomics.com/european-union/imports/ukraine/iron-steel

The two main sectors of strength for Ukrainian exports to the EU, agriculture and steel, thus now see dramatic divergence in their fortunes. For cereals there have been large increases in exports to the EU with exceptional wartime liberalisation. For steel the war has deprived Ukraine of some of its major production facilities and the much reduced level of exports seems likely to continue.

Since 2021, the EU and Ukraine have been agreeing on 'Priority Action Plans' for enhanced implementation of the DCFTA for successive two-year periods: for 2021-2022, 2023-2024, and now for 2025-2026. The latest plan seeks to advance in the spirit of gradual integration under the following headings:[19]

1. Mutual tariff liberalisation
2. Roam Like at Home
3. Public procurement, mutual access
4. Road transport without permits
5. Electronic trust services
6. Authorised Economic Operators (AEO)
7. Food standards (SPS)
8. Energy

19 https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en

Details on these headings (Annex 2) specify opportunities for Ukraine to gain some 'internal market treatment' prior to accession. However, safeguard measures are in place to counter any 'major market disturbance' (see section 3.4.1 below), which are basically identical to those in the SAAs (section 3.1.2 above).

3.3.3 Growth Plans for the Western Balkans and Moldova

Proposed by the Commission in November 2023,[20] the Growth Plans are designed to provide a fresh impetus for the Western Balkans against a background of years of stagnation in the accession process in the region. The motivation was also in part to demonstrate that the region is not being forgotten while the new candidacy of Ukraine had been making the headlines. The Growth Plan incorporates the idea of gradual integration with access to some parts of the internal market before accession.

The Growth Plan was agreed by the Council in 2024 and is currently in the first stages of implementation. Extra pre-accession funding of €6 billion of grants and loans is to be provided over a four-year period from 2024 to 2027, which almost doubles the existing pre-accession funding.

After the entry into force of the 'Reform and Growth Facility for the Western Balkans' in May 2024, reform agendas and 'loan and facility agreements' were agreed with Albania, Kosovo, Montenegro, North Macedonia and Serbia. Bosnia and Herzegovina adopted a draft reform agenda at the end of June 2025. The European Commission has been monitoring these reforms and made pre-financing payments to Albania, Montenegro, North Macedonia and Serbia, while encouraging Kosovo to authorise the entry into force of the loan agreement.

Seven priority actions for integration into the Single Market fall under the following headings:

1. Free movement of goods
2. Free movement of services and workers
3. Single European Payments Area (SEPA)
4. Road transport
5. De-carbonisation of the energy market
6. Digital Single Market
7. Industrial supply chains

The more precise content under these headings is presented in Annex 3, indicate that the offers for pre-accession market access are in most instances only limited elements under broader headings. For example, under free movement of goods there are sub-heads for conformity assessment, customs procedures and transit. Under free movement of services and workers there are sub-heads for e-commerce services and the recognition of skills. These useful advances do not amount to the

[20] Commission, 8.11.2023

comprehensive free movement of goods, services and workers within the Single Market – far from it. In all cases the granting of specific elements of market access is dependent on compliance by the candidates with the corresponding acquis, as confirmed in conversations with Commission officials.

Work is in progress under the seven priority areas. The only announced instance of clear-cut implementation so far has been access to the Single European Payments Area (SEPA) by Albania, Moldova, Montenegro and North Macedonia on 16 October 2025.[21]

The conditions for the Growth Plan funding are based on country-specific Reform Agendas. These are extremely detailed, as exemplified by Albania's case which specifies no less than 146 measures grouped under 18 sectoral headings roughly corresponding to the relevant chapters of the accession process.[22] The candidates report on their fulfilment of these conditions half-yearly, followed by payments as and when the reports are accepted. At the time of writing, the Commission was reviewing the first set of reports, with payments expected soon.[23]

The Growth Plans have now become a core feature of the enlargement process for the Western Balkans and Moldova, with substantial extra funding tied to a new complex of conditionalities. They do, however, add to the overall complexity of the enlargement process, with overlaps in the incentive structures and conditionality mechanisms in other accession-related processes. While these arrangements demand rigour in reforms, they also add new burdens or reporting requirements on the candidate states.

Box 5: EWES — A Swedish manufacturer that invests in Bosnia-Herzegovina

EWES is a niche manufacturer whose industrial springs are inputs in diverse industrial products. It has 120 employees, with a direct investment in a manufacturing plant in Bosnia, and around 60 employees in each of Sweden and Bosnia. The company was attracted to Bosnia because of the country's endowment with a labour force experienced in technical manufacturing skills. This makes it suitable for small production runs requiring a lot of manpower, whereas larger production runs are concentrated with more automated facilities in Sweden. Another favourable factor was the substantial Bosnian and broader Balkan diaspora in Sweden, which facilitated integration of the workings of the Bosnian plant with headquarters in Sweden. EWES has a complex supply chain structure, with basic materials often supplied to Bosnia from Sweden or Germany, for transformation before returning to Sweden for finishing. The movement of parts across the frontier of the EU and Bosnia is still subject to frictions both ways. Customs procedures are typically more time consuming than in the EU. The company is illustrating the possibilities for integrating the Balkans into EU-based industrial supply chains, although serious improvements in cross-border trading conditions are still needed.

[21] https://enlargement.ec.europa.eu/news/commission-welcomes-albania-moldova-montenegro-and-north-macedonia-first-enlargement-partners-join-2025-10-16_en

[22] Commission, 23.10.2024

[23] For independent implementation trackers of reforms under the Growth Plan for the Western Balkans, see, e.g., https://reform-monitor.org/database/ and https://cdinstitute.eu/scoreboard-albania/.

3.3.4. Defence Readiness 2030

Proposed by the Commission and High Representative in March 2025, the White Paper on Defence Readiness 2030 is explicit about the mutual strategic interest in the integration of defence industrial markets in the EU and with Ukraine. An implementation roadmap was adopted in October 2025, which prioritises four flagship projects: a 'drone wall', Eastern Flank Watch, air shield, and space shield.[24] Most of these and future 'projects of common European interest' (e.g. a cyber defence shield, military cloud, and military mobility network) are dual-use in nature as they integrate civilian (e.g. digital and satellite) technology and infrastructures into military capability development. As such, these projects fall within the rules on the Single Market (e.g. Article 107.3(b) TFEU on state aid) and a variety of its support policies (e.g. industry, telecoms, transport). While not immediately relevant for civilian companies, the mechanisms to be developed in this field may become extremely important given the huge potential funding, with implications for companies producing dual-use goods.

3.4 Overall implications for the functioning of the Single Market

3.4.1. Technical concerns and safeguards

Some concerns. From the outset, the Single Market has been conceived as a holistic project, acknowledging that different costs and benefits can accrue to individual Member States and to sectors within their economies. Following the same logic, there has been consistent objection to any notion of individual Member States 'cherry-picking' for themselves particular, favourable aspects of the internal market. or of other EU policies.

The concern is that, with partial access to the internal market accompanied by uneven compliance with other parts of the acquis, the level playing field principle might be undermined. More precisely, one might hypothesise that market access is granted for designated goods and services with proper compliance with the specific standards required for those items, but while at the same time horizontal policies for competition policy and state aids might not be applied with adequate quality and rigour; in this case there could be a distortion of market conditions.

A second, related, concern is about the adequacy of institutional capacities in the candidate states to monitor and enforce EU standards. A proper and uniform application of many EU regulations requires high-quality public administration and a well-functioning legal system. Despite the Commission's rhetoric, the practical dissociation of 'vertical' integration of candidates into parts of the Single Market from the 'horizontal' approach to securing the 'fundamentals' during the formal accession process (i.e. respect for the rule of law, democracy and human rights)

[24] https://defence-industry-space.ec.europa.eu/document/download/9db42c04-15c2-42e1-8364-60afb0073e68_en?filename=Joint-Communication%20_Defence-Readiness-Roadmap-2030.pdf

risks creating market access for some sectors without a proper rule of law, thus eroding the principles of mutual trust and mutual recognition that underpin the operation of the internal market.

A third concern flows from this. Reversing partial access to the Single Market is difficult due to the dynamic nature of the market, the political challenges of reversing existing integration, and the complexity of achieving consensus among Member States. Reversing access would require unwinding established rules and harmonised policies, which would be complicated and could lead to fragmentation and loss of the benefits of a Single Market.

Multiple safeguards. In practice, there are multiple safeguards against the risk that the partial inclusion in the Single Market now being offered might create real economic distortions.

The first safeguard is that the partial access to the internal market is not a free-for-all opportunity for each candidate state to choose what it wants, which would indeed amount to 'cherry-picking'. Under the Growth Plan for the Western Balkans there is a specific and limited list of elements of possible market access, chosen by the Commission identically for all candidates (Annex 3). For Ukraine there is a list of priority actions (Annex 2). If the candidate state ceases to respect the specific conditions for internal market treatment of a given element of the Single Market, then this particular element of market access can in theory be reversed. Keeping the above-mentioned limitations in mind, benefits of gradual integration will be more easily reversed in siloed areas of the market (e.g. the reintroduction of roaming charges or banking fees) than in sectors where implementation depends on a tighter weave into the wider fabric of Single Market (e.g. transport and energy).

In addition, Ukraine's AA/DCFTA has a general safeguard clause (Article 29) in the event of serious injury or disturbance to domestic industry in the EU, which can lead to the imposition of countervailing duties, and specific safeguards for agriculture (Articles 39-41), energy (Article 338) and competition/state aids/subsidies (Article 262-267). In practice, the EU applies a high bar to such conditions.

The same basic safeguard provisions apply for Moldova. As regards the political plausibility of these safeguards being used, in 2018 the Commission withheld funding to press the then pro-Russian government to reverse its rule of law and democracy backsliding. In the event of non-compliance, the normal procedure is a consultation process followed by a binding arbitration panel if required. If fault is found the EU can withdraw free trade provisions or impose retaliatory tariffs.

In addition, the AA/DCFTA can be suspended in the event of serious breach of 'essential elements' (i.e. democracy, rule of law, etc.) of the Agreement (Articles 2 and 478). These provisions have not yet been activated but might have been applied to Georgia if it had not opted to suspend its accession procedures in late 2024.

For the Western Balkans, the SAAs have basically the same safeguard provisions as the AA/DCFTAs.

3.4.2. Single Market fundamentals

If the concern over possible negative impacts of gradual integration on the integrity of parts the Single Market to which the new mechanisms pertain can be largely set aside (as in section 3.4.1), the next basic question is whether a corrosive effect might nevertheless materialise due to more systemic problems such as corruption and a weak rule of law.

Swedish and other EU business interests value a truly open Single Market as free as possible from frictions in trans-border operations and which has well-functioning competition. The present Single Market policy, while subject to proposals for improvement, has brought essentially open borders along with uniformity, transparency and stability in much of the regulatory environment. Assurance of these qualities also needs stable democratic institutions and a reliable rule of law, enabling consistent and stable policies covering all the Copenhagen political and economic criteria.

From the business point of view of assessing trade and investment options in the EU and wider Europe, the holistic quality of the Single Market acquis, combined with the complete set of political, legal and economic conditions, is of major importance. However, the demanding conditions of the Copenhagen criteria are only met by full Member States that correctly implement EU law and policies. By contrast, the formal accession process is itself a very gradual one with an uncertain outcome. The new 'gradual integration' initiative is a complex but secondary enhancement of the formal accession process, providing some increased incentives for candidate states to carry out the necessary reforms for pre-accession access to pockets of the EU's single market. Their effective motivating power for the candidate states is, however, qualified by varying perceptions of the underlying intentions of the EU.

These considerations point to the conclusion that significant results should not be expected from gradual integration, while on the other hand the continued integrity and sound functioning of the Single Market would not appear to be endangered.

Alongside these issues of principle and law, a pragmatic question is whether the candidate countries have the economic weight to have any damaging impact on the Single Market. For the smallest Balkan states this is unlikely, except perhaps, in some very specific cases. But for Ukraine, with economic weight greater than all other candidates combined, these questions may be far from theoretical.

4. Conclusions

Business interests in further enlargement of the EU. In principle, a further successful enlargement of the EU, fully respecting the Copenhagen criteria, should be beneficial to business interests in both the EU and the candidate states. While the economies of most of the candidate states are of small size, they present potentially useful complementarities with the economies of EU Member States such as Sweden. In particular, one could expect trade and investment in extended supply chains, in which EU-based companies with advanced technologies could advantageously locate part of their production systems in the candidate states. The opportunities for trade and investment – but also risks – are all on a greater scale in the case of Ukraine.[25]

Mixed results from the most recent enlargements. The EU has almost doubled in number of its Member States since 2004. The experience has, however, given mixed results in terms of ongoing respect for the Copenhagen criteria. Macroeconomic results have been a real success, with GDP growth rates largely surpassing those of the older Member States. Compliance with the Single Market acquis has also been respectable. However, the political and rule of law fundamentals show a different picture. Only about half of the post-2004 Member States maintain ratings on a par with a second-best group of older Member States. The other half have seen some backsliding from standards expected of Member States, most conspicuously in the case of Hungary, with rule of law problems observed also in Bulgaria, Romania and Poland.

Candidate states not yet respecting sufficiently the Copenhagen criteria. Unfortunately, none of the current candidate states achieve good results yet on either the political or economic branches of the Copenhagen criteria. It is of concern that the backsliding over political and rule of law criteria among the post-2004 Member States could also arise with the accession of the present candidate states, even if they make a big reform push prior to accession. Some observers see Montenegro and Albania taking steps to improve their ratings, and indeed only these two candidate states have been able to open all chapters, while their closure remains to be seen.

The 'gradual integration' initiative is partly innovative, partly extending current practice. The EU's adoption in 2024 of the 'gradual integration' concept and programme as an extension of its enlargement policy combines some elements of pre-accession inclusion in the Single Market, with extra funding conditional on a new complex set of policy reform measures. Its new mechanisms are the financially

[25] These opportunities are systematically explored in another report by the Confederation of Swedish Enterprise, Enlarging Europe - Opportunities for the Swedish Economy.

substantial Ukraine Facility and the smaller Growth Plan for the Western Balkans and Moldova. However, the pre-existing association agreements with the candidate states and the formal accession negotiation process (around the numerous policy 'chapters' and 'clusters') already amount to complex gradual processes, onto which the new initiative is grafted.

Conceivable negative impacts on the Single Market. With both the Ukraine Facility and the Growth Plan offering market access for partial elements of the Single Market prior to accession, this has raised questions whether the integrity of the Single Market may be undermined as a result. While this is a theoretical possibility, the likelihood of this proving to be a real problem seems to be slight, for several reasons. The selection by the Commission of elements of the Single Market acquis for access prior to accession consists mainly of sectors which are lightweight economically. For example, inclusion in the EU's free roaming space and the Single Euro Payments Area may be appreciated by many individuals, but these initiatives will hardly threaten damage to the level playing field in these and other sectors. In addition, the economic weight of all candidate states except Ukraine is small. The existing association agreements and accession negotiation process have for years been gradually advancing integration into the Single Market without damaging consequences. Finally, there are adequate legal safeguard provisions in place to counter conceivable damaging impacts on the Single Market from the candidate states. Still, in the case of Ukraine, some sectors will have to be monitored carefully, for example for agricultural produce and IT services.

Gradual Integration as an accelerator? It is too early to determine whether the gradual integration initiative is accelerating the speed of compliance of the candidate states with EU norms and standards. It will be for forthcoming editions of the Commission's annual 'Enlargement Package' documents to review the evidence systematically. Certainly, gradual integration does not provide a fast-track accession route skimping on compliance with the Copenhagen criteria. The 'gradual integration' initiative per se does not guarantee respect for all the Copenhagen criteria since it consists of only partial steps; on the other hand, all its measures make small contributions in that direction.

Simplifying the accession process. The new mechanisms of gradual integration do add a further layer of complex conditions to the regular accession procedure. This weighs upon businesses as well as the public administrations of the EU institutions, its Member States and candidate countries. Several Member States (Germany, Italy, Austria, Slovenia, and Sweden) have recently invited the Commission to prepare proposals for *'simplification and streamlining'* of the enlargement process, without specifying how this could be done.[26] A key simplification would be to unify the different sets of conditionalities in the parallel processes, namely that for the closure of chapters and that for the granting of additional funding.

[26] Commissioner Kos has recently published an annual progress report on *Simplification, Implementation and Enforcement*, 21 October 2025. However, this does not address the enlargement methodology.

Annex 1:

Enlargement Package 2024, converted into quantitative ratings

	Ukraine	Moldova	Georgia	Albania	Bosnia and Herzegovina	Kosovo	Monte-negro	North Macedonia	Serbia
Cluster 1 Fundamentals									
2.1 Democracy, public administration.									
2.1.1 Democracy	**2.4**	**2.8**	**1.5**	**2.9**	**1.8**	**3**	**2.8**	**2.6**	**1.9**
2.1.2 Public administration reform	2	2	2	3	1.5	2	3	3	3
2.2 Rule of law & rights	**2**	**2**	**2**	**3**	**2**	**1.8**	**3.2**	**2.7**	**2.5**
2.2.1 Ch 23 Judiciary, human rights	2	2	2	3	2	1.5	3	2.5	2.5
2.2.2 Ch 24 Justice, freedom, security	2	2	2	3	2	2	3.5	3	2.5
2.3 Economic criteria	**1.3**	**1.5**	**2**	**3**	**1.3**	**1.5**	**3**	**3.5**	**3.5**
2.3.1 Functioning market economy	1.5	1.5	2	4	1	2.0	3	4	4
2.3.2 Capacity to compete	1	1.5	2	2	1.5	1	3	3	3
2.4 Public procurement, statistics., finance	**1.7**	**1.7**	**2**	**3**	**1.7**	**2.2**	**3.3**	**3.2**	**3.2**
2.4.1 Ch. 5 Public procurement	2	2	2	3	2	2.5	3.5	3	3
2.4.2 Ch. 18 Statistics	2	2	2	3	1	2	3.5	3.5	3.5
2.4.3 Ch. 32 Financial control	1	1	2	3	2	2	3	3	3
Cluster 2 Internal market	**2.0**	**1.8**	**2.0**	**2.6**	**1.9**	**2.3**	**3.2**	**2.9**	**3.2**
Ch 1 Free movement of goods (TBT)	3	2	2	2.5	1	2.5	3	3	3
Ch 2 Free movement labour	1	1	1	2	2	2	2	1	3
Ch 3 Services, establishment	2	1	3	3	1	3	3	3	3
Ch 4 Free movement capital	2.5	2.5	3	3	3	3	3	3	3
Ch 6 Company law	2	1.5	2	3	2	2	4	4	4
Ch 7 Intellectual property rights (IPR)	2	2	2	3	3	3	4.5	3	4
Ch 8 Competition	2	2	1	2.5	2	2	3	3	3
Ch 9 Financial services	2	2	2	3.5	2.5	2	3	3	3
Ch 28 Consumer, health protection	2	2	2	1	1	1	3	3	3
Cluster 3 Competitiveness, etc	**2.6**	**2.3**	**2.7**	**3**	**1.5**	**2.2**	**3.4**	**3.4**	**3.5**
Ch 10 Digital, media	3.5	2	2	3.5	1	2	4	3	3
Ch 16 Taxation	2	2	2.5	3	2	2	3	3	3.5
Ch 17 Econ. & monetary policy	3	2	3	3.5	1	3	3	3.5	3.5

	Ukraine	Moldova	Georgia	Albania	Bosnia and Herzegovina	Kosovo	Monte-negro	North Macedonia	Serbia
Ch 19 Social, employment	1	2	2	3	2	1.5	2	3	3
Ch 20 Industrial policy	2.5	2	3	3.5	1	3	4	3.5	3
Ch 25 Science, research	3	3	3	2	2	1	4	4	4
Ch 26 Education, culture	2	2.5	3	3	1	2	4	3	4
Ch 29 Customs union	4	3	3	3	2	3	3	4	4
Cluster 4 Green agenda	**2.5**	**2.0**	**1.7**	**2.1**	**1.6**	**1.5**	**3.3**	**3**	**3.1**
Ch 14 Transport	2	2	2	2	2	1	3.5	3	4
Ch 15 Energy	4	2.5	2	3.5	1	2	4	3	3
Ch 21 Trans-European Networks	2	2	2	2	2	2	3.5	4	3.5
Ch 27 Climate, environment	2	1.5	1	1	1.5	1	2	2	2
Cluster 5 Agri, cohesion, budget	**1.8**	**1.2**	**1.1**	**2.4**	**1.2**	**1.5**	**2.6**	**2.8**	**2.6**
Ch 11 Agriculture	1	1	1	2	1	2	3	3	2
Ch 12 Food safety (SPS)	3	2	1	2	2	2.5	3	4	3
Ch 13 Fisheries	2	1	1	3	1	1	2	3	3
Ch 22 Regional	2	1	1.5	3	1	1	3	3	3
Ch 33 EU budget	1	1	1	2	1	1	2	1	2
Cluster 6 External relations	**4**	**3.3**	**1.5**	**4**	**2**	**2**	**4**	**3.5**	**2**
Ch 30 External relations	4	3	1	4	2	2	4	3	2
Ch 31 CFSP, defence	4	3.5	2	4	2	2	4	4	2

Source: own computations, based on Commission, 30.10.24

Annex 2:

EU-Ukraine – Priority Action Plan for the DCFTA, 2025-26

1. **Finalisation of mutual trade liberalisation, consultations…**
   Including Ukraine's gradual alignment with EU production standards and sensitivities of certain agricultural products
2. **Inclusion of Ukraine into the EU's Roam Like at Home Area**
   Alignment with EU acquis to be assessed
3. **Agreement on Conformity Assessment of Industrial Products (ACAA)**
   After Ukraine's legislation on EU acquis is assessed, negotiations over an ACAA to begin
4. **Progressing towards granting mutual access to public procurement**
   Ukraine to accelerate alignment of legislation with EU acquis
5. **Inclusion of Ukraine in the Single European Payments Area (SEPA)**
   EU and Ukraine agree to continue work on access to SEPA
6. **Extension of the EU-Ukraine Agreement on the carriage of freight by road**
   Exemption of Ukraine haulers from need of permits to be renewed, unless one party disagrees with evidence of major market disturbance
7. **Cooperation on electronic trust services and electronic identification**
   Cooperation with a view to Ukraine's alignment with EU Digital Identity regulations and mutual recognition in this field
8. **Agreement on Mutual Recognition of Authorised Economic Operators (AEO)**
   Commission to consider the possibility of launching an assessment mission before opening negotiations for mutual recognition of AEOs
9. **Alignment with EU SPS standards, facilitate trade in animal and plant products**
   Ukraine to continue to align with EU standards for pork, processed meats, seeds, and animal welfare
10. **Electricity Integration Package, Trans-European Energy Infrastructure**
    Ukraine to transpose required EU laws into domestic legislation

Source: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en

Annex 3:

Western Balkans – Seven Priority Actions for Integration into the Single Market (edited & abridged text)

1. **1. Free movement of goods:**
   (i) *Agreements on conformity assessment* to unlock the Single Market for goods manufactured in the Western Balkans following alignment with the relevant horizontal EU product *acquis*.
   (ii) *Improved Customs and Tax co-operation agreement* to streamline customs procedures and reduce waiting times at borders, through measures including prior exchange of information, mutual recognition of authorised economic operators, etc.
   (iii) Participation of all Western Balkan partners in *the Convention on Common Transit*.
2. **Free movement of services and workers:**
   (i) For *e-commerce*-related services including *parcel delivery services*, *tourism services*, and other activities where agreement has been reached within the Common Regional Market.
   (ii) *Recognition of skills and qualifications* between the EU and the Western Balkans, including professional qualifications, building on the European Qualifications Framework (EQF), etc.
3. **Access to the Single Euro Payments Area (SEPA):**
   Reducing the cost of cross border payments to the benefit of consumers and businesses will act as a boost to cross-border commerce. **Support the Western Balkan countries** to align with the relevant EU legislation and prepare their application to access SEPA.
4. **Facilitation of Road Transport:**
   (i) Support Western Balkan countries to integrate their road transport in the region on the basis of adoption of the relevant EU *acquis*.
   (ii) In parallel, work towards granting Western Balkan partners access to relevant EU information systems (IMI, ERRU) and further facilitation of bilateral transport operations
5. **Integration and de-carbonisation of Energy markets:**
   Building on the existing work within the Energy Community to integrate the electricity market in the region with that of the EU and opening the possibility for integration of other energy markets. This will take into account the need for an equivalent carbon price to the EU Emissions Trading System's carbon price or the application of the Carbon Border Adjustment Mechanism to allow for continued electricity market coupling from 2030 onwards.
6. **Digital Single Market:**
   (i) Facilitate the extension of the current *voluntary roaming agreement* among telecom operators.
   (ii) Provide legal certainty for users and operators exploring solutions for a long-term roaming arrangement to include the Western Balkans in the EU 'roam like at home' area.
   (iii) Extend the EU's rules on addressing unjustified *geo-blocking* and other forms of discrimination.

(iv) Integrate the region into the EU's *electronic identification, authentication and trust* services (eIDAS), with a regional Digital Identity Wallet ('Balkan Digital Identity Wallet') aligned with that of the EU.
(v) Strengthen *cybersecurity links* through association to the Cybersecurity pillar of the Digital Europe programme and Cybersecurity Reserve; implementation of the EU 5G Cybersecurity Toolbox.
(vi) Strengthen cross-border *interoperability* through alignment with the European Interoperability Framework as a basis for interoperable, human-centric, digital public services.

7. **Integration into industrial supply chains:**
(i) Develop strategic partnerships on sustainable raw materials value chains, after an initial focusing on the identification of concrete joint industrial projects, including the EU Raw Materials Alliance and EU Battery Alliance.
(ii) Develop strategic partnerships for the security of supply of critical medicines.

Source: Commission, 8.11.2023.

Annex 4:

Cumulative real GDP growth index of EU Member States and candidates, 2004-2022, (unweighted average, 2004=100)

pre-2004	EU post-2004	Candidates/applicants	Growth 2004-2022 (%)
		Georgia	257
	Romania		216
	Lithuania		208
	Poland		207
		Albania	204
		Bosnia-Herzegovina	204
		Moldova	201
Ireland			202
	Bulgaria		197
	Latvia		182
		Serbia	181
	Slovakia		176
	Malta		172
		Montenegro	164
	Estonia		160
		North Macedonia	160
	Hungary		157
	Croatia		150
	Czechia		143
	Slovenia		137
Sweden			125
Germany			123
	Cyprus		123
Netherlands			122
Denmark			119
		Ukraine	118
Belgium			117
Portugal			116
Austria			115
Finland			113
France			112
Luxembourg			109
Spain			108
Italy			100
Greece			92

Note: for Ukarine the data is for 2004 to 2021. Due to war losses, the index for 2022 fell to 60.

Source: own calculation on basis of

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