



TRAINING & DEVELOPMENT WORKSHOP PROGRAM FOR “LEADERSHIP ACADEMY” ALUMNI

EU EXPANSION: ROMANIA, BULGARIA AND THE CASE FOR BALKANS-CAUCASUS INTEGRATION Haykaz Shahnazaryan

Abstract

The European Union’s (EU) expansion in the 1990s and early 2000s, and particularly the accession of Bulgaria and Romania in 2007,¹ marked a transformative phase in the EU’s integration of post-communist states. This article assesses the impact of Bulgarian and Romanian accession on the European Union’s strength, analyzing the economic, political, and geopolitical dimensions with particular attention to political reforms and growth trajectories. It explores the economic development of both countries before and after their 2007 accession, comparing their progress to Germany—the EU’s economic powerhouse—and to broader EU trends.

The analysis extends to key areas such as anti-corruption efforts and trade integration, presenting data-driven evidence that their inclusion has ultimately reinforced the EU. While developmental challenges persist, Bulgaria and Romania have contributed to enhancing the EU’s strategic posture. The article argues that further EU enlargement into the Balkans and Caucasus is essential to bolstering the EU’s long-term stability and global influence.

Introduction

Romania and Bulgaria applied for EU membership in 1995² amid post-communist transitions to democracy and market economies. Their accession process, governed by the Copenhagen Criteria, required democratic stability, a functioning market economy,

¹ https://europa.eu/50/news/theme/070105_en.htm

² https://ec.europa.eu/commission/presscorner/detail/en/ip_06_1900

and alignment with the EU’s *acquis communautaire*. After signing Europe Agreements in 1993, becoming candidates in 1997, and starting negotiations in 2000, on January 1, 2007,³ Bulgaria and Romania officially joined the European Union, marking the bloc's fifth enlargement wave and its most ambitious integration of post-communist states to date.

The accession of Bulgaria and Romania brought in two nations with a combined population of over 28 million, rich histories, and strategic Black Sea positions, but also economies scarred by decades of authoritarian rule and transition shocks, as well as lingering corruption. At the time, skeptics warned of dilution: could absorbing these “laggards” weaken the EU's economic cohesion, strain its budget, and expose vulnerabilities in governance? Nearly two decades later, the evidence points to the opposite. Accession catalyzed robust growth in both countries, enhanced the EU's geopolitical footprint, and demonstrated enlargement's transformative power. Yet, challenges like persistent corruption and the impact of a brain drain remind us that integration is no panacea for fundamental challenges and structural problems.

Emerging from Soviet-era command economies, Bulgaria and Romania grappled with hyperinflation, privatization chaos, and output collapses in the 1990s. Bulgaria’s 1996–1997 banking crisis led to a 14.1% GDP contraction and an average annual decline of 2.9% between 1991 and 1999.⁴ Romania’s 1990s reforms, hindered by political instability, resulted in a 4.8% GDP contraction in 1997 and an average annual decline of 1.5% over the same period.⁵ Nominal GDP also hovered low: Bulgaria's stood at \$20.6 billion in 1990 and \$13.2 billion in 2000, while Romania's was \$38.2 billion in 1990 and \$37.2 billion in 2000 (Figure 1).

³ https://ec.europa.eu/commission/presscorner/detail/en/ip_06_1900

⁴ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=BG>

⁵ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=RO>

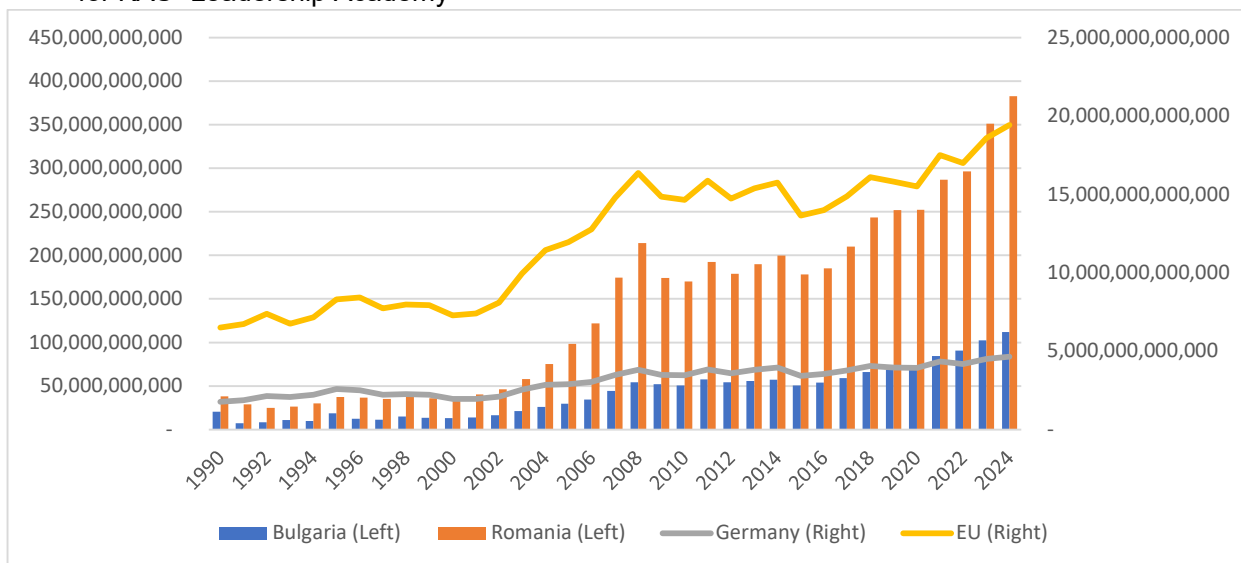


Figure 1. Bulgaria, Romania, Germany and EU⁶ Nominal GDP in USD, 1990–2024⁷

As per Table 1. Bulgaria and Romania's lines starting low and flat in the 1990s, then steepening post-2007—Bulgaria's from ~\$44B to over \$112B, Romania's from ~\$174B tripling to ~\$383B—while Germany's curve rises steadily to \$4.6T and the EU's to \$19.4T. The duo's addition nudges the EU line upward by ~2–3% annually post-accession, evidence of net strengthening.

Table 1. Bulgaria, Romania, Germany and EU⁸ Nominal GDP in USD, 1990–2024⁹

Date	Bulgaria Nominal GDP in USD	Romania Nominal GDP in USD	Germany Nominal GDP in USD	EU Nominal GDP in USD
1990	20,632,090,909	38,247,882,300	1,778,162,195,860	6,505,698,343,166
1995	18,991,484,420	37,430,162,103	2,593,053,091,306	8,298,355,169,645
2000	13,245,990,274	37,253,739,511	1,966,980,701,145	7,288,482,686,163
2005	29,868,657,858	98,454,380,120	2,893,393,187,362	11,954,351,248,970
2006	34,380,536,496	122,023,735,993	3,046,308,753,671	12,768,365,760,447
2007	44,431,257,129	174,588,782,939	3,484,056,680,855	14,789,481,701,232
2010	50,689,051,382	170,064,350,672	3,468,154,343,000	14,643,095,807,339
2015	50,765,918,159	177,885,131,240	3,423,568,450,957	13,655,113,751,883
2020	70,550,652,467	252,033,792,712	3,940,142,541,354	15,505,708,717,749

⁶ <https://fred.stlouisfed.org/data/NYGDPMKTPCDEUU>

⁷ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2024&start=1960>

⁸ <https://fred.stlouisfed.org/data/NYGDPMKTPCDEUU>

⁹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2024&start=1960>

2021	84,414,122,840	286,578,196,368	4,348,297,440,388	17,498,522,970,845
2022	90,509,236,929	296,354,358,293	4,163,596,357,879	16,996,087,955,140
2023	102,396,840,296	350,775,856,415	4,525,703,903,628	18,602,672,971,722
2024	112,211,952,704	382,767,571,329	4,659,929,336,891	19,423,319,451,330

The early 1990s were a period of economic upheaval for Bulgaria and Romania as they dismantled socialist structures. Hyperinflation, rapid privatization, and the collapse of traditional industries led to sharp GDP declines and rising unemployment. For instance, Bulgaria's GDP per capita plummeted from \$2,367 in 1990 to a low of \$1,148 in 1994, reflecting banking crises and structural adjustments. Romania fared slightly better with more stable but still minimal growth, starting at \$1,648 and hovering around \$1,600 by 1999 (Figure 2).

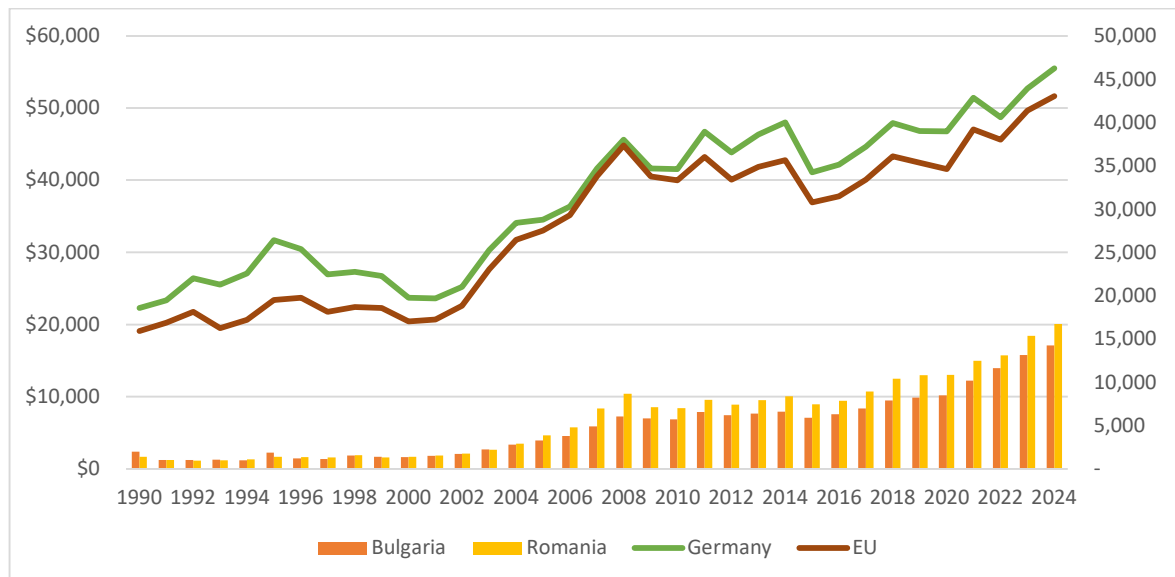


Figure 2. Bulgaria, Romania, Germany and EU¹⁰ GDP Per Capita in USD, 1990–2024¹¹

In contrast, Germany—fresh from reunification in 1990—and the EU average experienced modest growth amid global recovery. Germany's GDP per capita rose from \$22,304 to \$23,695, while the EU's increased from \$15,913 to \$17,024. This disparity underscores the "transition costs" for Eastern Europe: Bulgaria and Romania's GDP as a

¹⁰ <https://www.imf.org/external/datamapper/profile/EU>

¹¹ <https://statisticstimes.com/economy/country-statistics.php>

percentage of the EU average fell from about 15% and 10% to 9.5% and 9.8%, respectively, indicating divergence rather than convergence (Figure 2).

Unemployment data (starting 1991) paints a similar picture of labor market strain. Bulgaria's rate averaged 13.5%, peaking at 16.4% in 1993 due to factory closures, with positive annual changes (+0.5% on average) signaling worsening conditions. Romania's lower average of 7.2% showed less volatility, with slight declines (-0.1% annual delta), possibly due to slower reforms preserving some jobs. Overall, this era was characterized by economic contraction, high uncertainty, and little progress toward meeting EU levels (Figure 3).

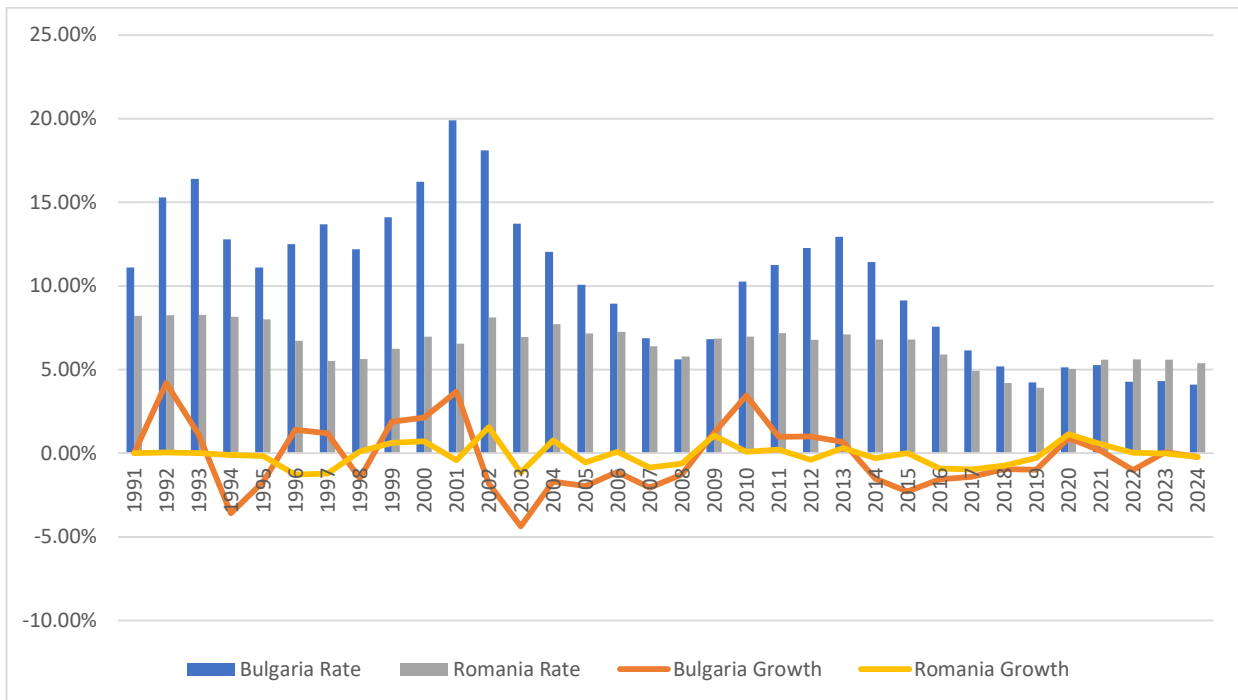


Figure 3. Bulgaria¹² and Romania¹³ Unemployment Rate and Growth, 1991–2024¹⁴

¹² <https://www.imf.org/external/datamapper/profile/EU>

¹³ <https://www.macrotrends.net/global-metrics/countries/rou/romania/unemployment-rate>

¹⁴ <https://www.macrotrends.net/global-metrics/countries/bgr/bulgaria/unemployment-rate>

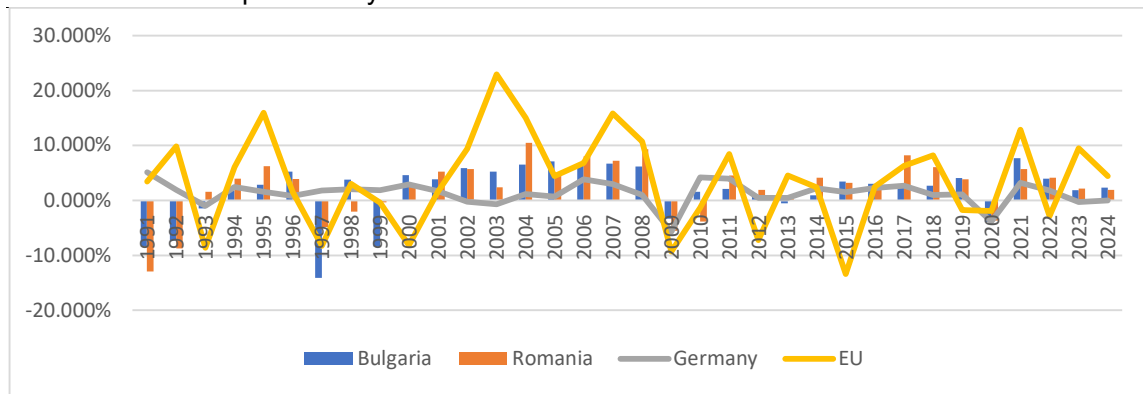


Figure 4. Bulgaria, Romania, Germany and EU¹⁵ Annual Economic Growth Rates (%), 1990–2024¹⁶

As EU accession negotiations intensified, both countries implemented structural reforms, attracting foreign investment and boosting exports. This "anticipation effect" spurred rapid GDP growth: Bulgaria's rose from \$1,621 in 2000 to \$4,523 in 2006 (CAGR 18.7%), while Romania's surged from \$1,660 to \$5,758 (CAGR 23.0%). Factors like EU pre-accession funds, legal harmonization, and improved business environments drove this boom (Figure 2 and Figure 4).

Germany and the EU also grew, but at slower rates (CAGR 7.4% and 9.5%), benefiting from global expansion. Convergence accelerated: Bulgaria's share of EU GDP per capita climbed to 15.4%, Romania's to 19.7% (Figure 2). However, unemployment remained elevated, with Bulgaria averaging 14.2% and showing high volatility (e.g., 19.9% in 2001 amid lingering transition issues), though trending downward (-0.7% annual change) as growth created jobs. Romania's stable 7.3% rate saw minor increases (+0.1%), reflecting a more balanced labor market (Figure 3 and Figure 4). This period demonstrated the power of EU-oriented reforms in reversing earlier declines, setting the stage for membership.

EU membership unlocked single market access, structural funds, and labor mobility, fostering sustained convergence despite setbacks like the 2008 crisis and 2020 pandemic. Bulgaria's GDP per capita grew from \$5,889 to \$17,069 (CAGR 6.5%), Romania's from \$8,360 to \$20,089 (CAGR 5.3%), outpacing Germany's 1.7% and EU's

¹⁵ <https://www.imf.org/external/datamapper/profile/EU>

¹⁶ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=EU>

1.4%. By 2024, Bulgaria reached 39.6% of EU average, Romania 46.7%—a testament to EU integration's role in narrowing gaps (Figure 2).

Unemployment declined markedly: Bulgaria averaged 7.4% with a downward trend (-0.3% annual change), Romania 5.9% (-0.1%). Volatility persisted, with spikes during crises (e.g., Bulgaria's rate rose to 12.9% in 2013), but overall stability improved, aided by EU-funded programs and emigration reducing domestic pressure (Figure 3).

The 2008 recession caused GDP dips (Bulgaria -3.8% in 2009), but recoveries were swift. COVID-19 led to 2020 increases in unemployment (Bulgaria to 5.1%, Romania 5.0%), yet post-pandemic rebounds were strong, with 2021 GDP jumps (Bulgaria +20%) (Figure 2). Bulgaria and Romania's paths illustrate the transformative impact of EU integration. From 1990s struggles to post-2007 convergence, the graphs reveal resilience and progress, though full parity with Germany or EU averages remains distant. Continued reforms, investment in human capital, and leveraging EU funds will be key to sustaining these gains. Romania has often shown greater stability and faster convergence, offering lessons for Bulgaria in labor market policies.

Table 2. Romania and Bulgaria Poverty headcount ratio at national poverty lines (% of population)¹⁷

Year	Romania	Bulgaria
2006	24.6	Data not available
2007	23.6	
2008	22.1	
2009	21.6	
2010	22.3	
2011	22.9	
2012	23	
2013	25.1	
2014	25.4	
2015	25.3	
2016	23.6	23.4
2017	23.5	22

¹⁷ <https://data.worldbank.org/indicator/SI.POV.NAHC>

2018	23.8	22.6
2019	23.4	23.8
2020	22.5	22.1
2021	21.2	22.9
2022	21.1	20.6

Poverty headcount ratios at national poverty lines (% of population) for Bulgaria and Romania from 2006 to 2022, sourced from World Bank national survey data, reveal significant pre- and post-EU accession trends. In 2006, Romania’s poverty rate was 24.6%, reflecting post-communist challenges like rural disparities and Roma marginalization (~70% poverty). Bulgaria’s pre-2015 data is absent, but estimates suggest rates above 20%, driven by privatization delays and austerity, far exceeding the EU average (~15–18%). Post-2007 accession, Romania’s rate fell from 23.6% to 21.1% by 2022 (mean: 22.9%, SD: 1.3%), with peaks during the 2008–2009 crisis (25.4% in 2014). Bulgaria’s rate, recorded from 2015, dropped from 22.9% to 20.6% (mean: 22.3%, SD: 0.9%). EU funds, social transfers, and labor mobility drove declines, with poverty inversely correlated with GDP growth ($r \approx -0.42$ Romania, -0.38 Bulgaria). Bulgaria’s pre-2015 data gaps stem from irregular surveys and delayed EU-SILC alignment, not inaccuracies. Provisional 2023 estimates show Romania at ~20.5% and Bulgaria at ~19.8%, with 2025 projections stabilizing at 19–20%. Enhanced survey standardization and targeted policies for vulnerable groups are critical for sustained convergence with EU socioeconomic norms (Table 2)

EU conditionality via the Cooperation and Verification Mechanism (CVM, 2007–2023) drove reforms, lifting both nations' Corruption Perceptions Index (CPI) scores. Bulgaria's rose from 3.5/10 in 2000¹⁸ to 4.3/10 in 2007¹⁹ and 46/100²⁰ by 2024; Romania's from 2.9/10²¹, to 3.7/10²² then 43/100²³. Prosecutions increased in Romania post-2012²⁴, per

¹⁸ <https://www.transparency.org/en/press/transparency-international-releases-the-year-2000-corruption-perceptions-in>

¹⁹ https://files.transparencycdn.org/images/2007_CPI_SourcesByCountry.pdf

²⁰ <https://www.transparency.org/en/cpi/2024>

²¹ <https://www.transparency.org/en/press/transparency-international-releases-the-year-2000-corruption-perceptions-in>

²² https://files.transparencycdn.org/images/2007_CPI_SourcesByCountry.pdf

²³ <https://www.transparency.org/en/cpi/2024>

²⁴ https://commission.europa.eu/system/files/2023-07/52_1_52630_coun_chap_romania_en.pdf

EU reports. Yet, scores lag the EU average (62 in 2023)²⁵ and Germany's 75,²⁶ with oligarch influence and judicial delays persisting—negatives that strained EU trust and delayed Schengen entry until 2024.²⁷

As NATO members since 2004, Bulgaria and Romania anchor the Black Sea strategy against Russian aggression. Post-2022 Ukraine invasion, NATO deployed battlegroups in both (e.g., U.S. F-16s in Romania), enhancing deterrence. Their EU roles amplify hybrid threat monitoring (e.g., disinformation) and energy diversification (e.g., Romania's Neptun gas field). This fortifies the EU's southeastern buffer, countering China's Belt and Road inroads.²⁸

Intra-EU trade share for Bulgaria's exports rose from 55% in 2000 to 64% in 2023 (Germany as top partner at 13.6%)²⁹; Romania's from 60% to 70%³⁰, with EU imports fueling 75%³¹ of its machinery sector. Total bilateral trade with the EU hit €100 billion annually by 2023, up 300% from 2006, integrating them into value chains and reducing reliance on Russia (energy imports down 90% post-2022). However, overdependence exposes them to EU slowdowns, as in 2009.³²

Other aspects include labor mobility (3 million Romanians/Bulgarians in EU, remitting €10B yearly) and Romania is set to receive €2.14 billion and Bulgaria €1.2 billion from the EU's Just Transition Fund, totaling over €3.3 billion for green transitions in coal-dependent regions,³³ but negatives like skilled emigration (brain drain of 20% of youth) erode domestic innovation.³⁴

²⁵ <https://www.transparency.org/en/press/2023-corruption-perceptions-index-weak-checks-balances-undermining-anti-corruption-efforts-in-western-europe-eu>

²⁶ <https://www.transparency.org/en/cpi/2024>

²⁷ <https://emerging-europe.com/analysis/bulgaria-and-romania-are-finally-rid-of-the-cvm-but-schengen-membership-remains-elusive>

²⁸ <https://www.gmfus.org/news/eus-new-black-sea-security-strategy-right-goals-unclear-means>

²⁹ <https://tradingeconomics.com/bulgaria/intra-eu-trade-share-of-exports-by-member-state-eurostat-data.html>

³⁰ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features

³¹ https://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU_trade_in_goods_-_main_features

³² https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features

³³ <https://www.crossbordertalks.eu/2025/03/30/just-transition-mission-impossible-bulgaria-romania>

³⁴ <https://blog.balkaninvest.eu/labor-migration-in-the-eu-bulgaria-between-brain-drain-and-brain-gain>

Conclusion: A Stronger EU, with Room for More

The accession of Bulgaria and Romania in 2007 has demonstrably strengthened the European Union, despite initial skepticism. Economically, both nations transitioned from post-communist struggles to robust growth, with Romania’s GDP tripling to \$383 billion and Bulgaria’s rising to \$112 billion by 2024. Their convergence toward EU averages—Romania at 46.7% and Bulgaria at 39.6% of EU GDP per capita—reflects the transformative power of single market access and EU funds. Politically, EU-driven reforms via the Cooperation and Verification Mechanism improved governance, with Corruption Perceptions Index scores rising, though challenges like judicial delays persist.

Geopolitically, their Black Sea positions have bolstered NATO and EU resilience against Russian aggression and Chinese influence, enhancing energy security and hybrid threat monitoring. Trade integration, with intra-EU exports reaching 64% for Bulgaria and 70% for Romania, underscores their role in strengthening EU value chains. Despite issues like brain drain and economic vulnerabilities, their inclusion has fortified the EU’s cohesion and strategic depth.

The case for continued EU expansion into the Balkans and Caucasus, particularly Armenia and Georgia, is compelling. These regions offer strategic buffers against geopolitical rivals and access to critical energy routes. Armenia and Georgia, with their pro-EU aspirations and ongoing democratic reforms, mirror the transformative potential seen in Bulgaria and Romania. Their inclusion could enhance EU influence in the Caucasus, counterbalancing Russian and Chinese ambitions. However, lessons from past enlargements highlight the need for robust pre-accession reforms, anti-corruption measures, and economic support to mitigate risks like governance gaps. By embracing further enlargement, the EU can solidify its global influence and foster stability, leveraging the proven benefits of integration.



Note

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