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# ***The benefits of Schengen Area membership in the CEE countries. A synthetic approach***

*Lovin et al. (2025)*

Discussion by Tomas Slacik

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Sicherheit durch Stabilität



## Kraftfahrer in Not: Grenzkontrollen führen zu mehr als 40 Kilometer Stau auf A4



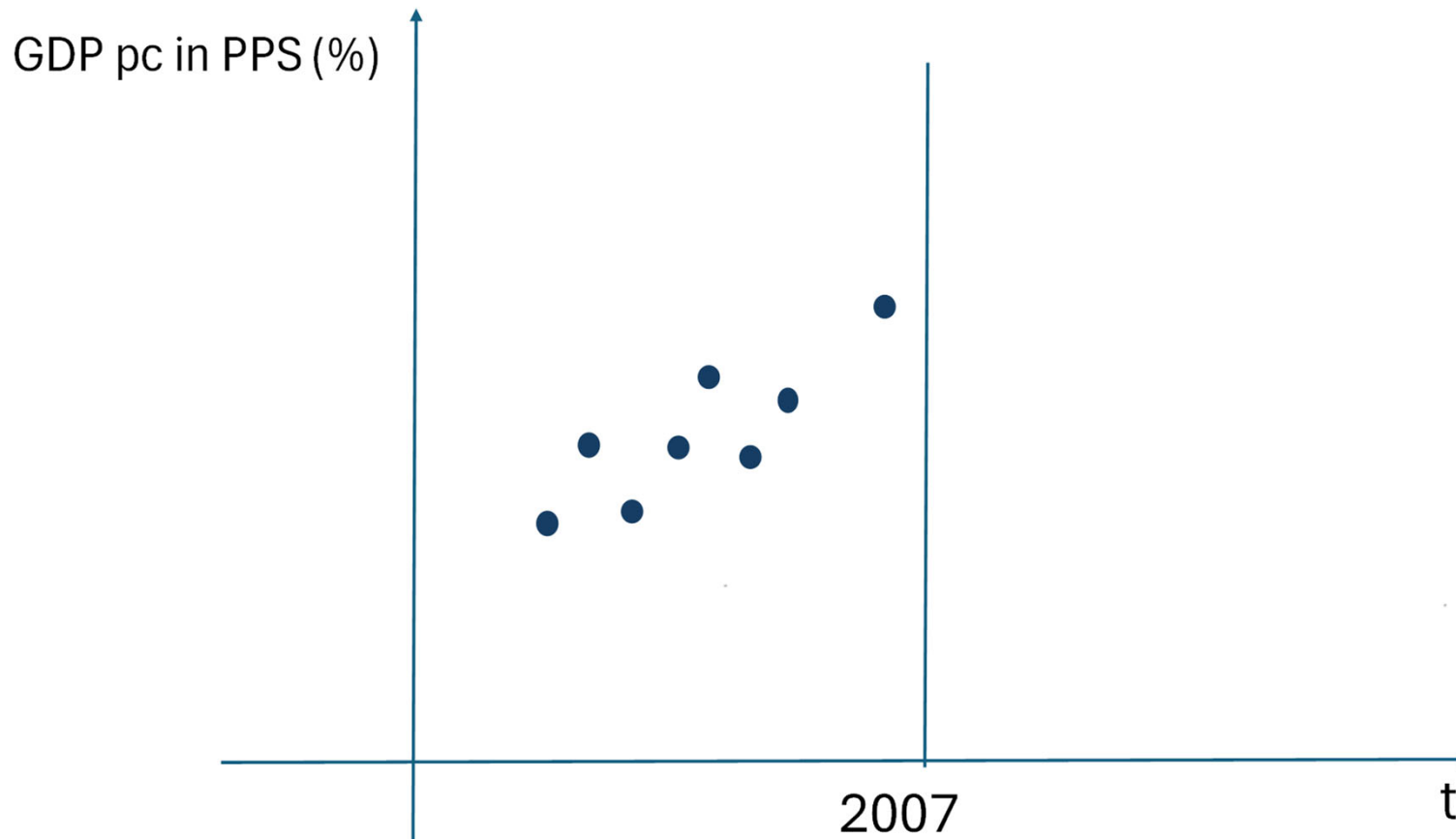
Auf der A4 im Osten Sachsens herrschen derzeit katastrophale Zustände: Der Verkehr staut sich wegen der Kontrollen an der polnischen Grenze auf mehr als 40 Kilometern. Kraftfahrer befinden sich teils mehr als zehn Stunden im Stau.

Source: [Leipziger Volkszeitung, 17.3.2020](#)

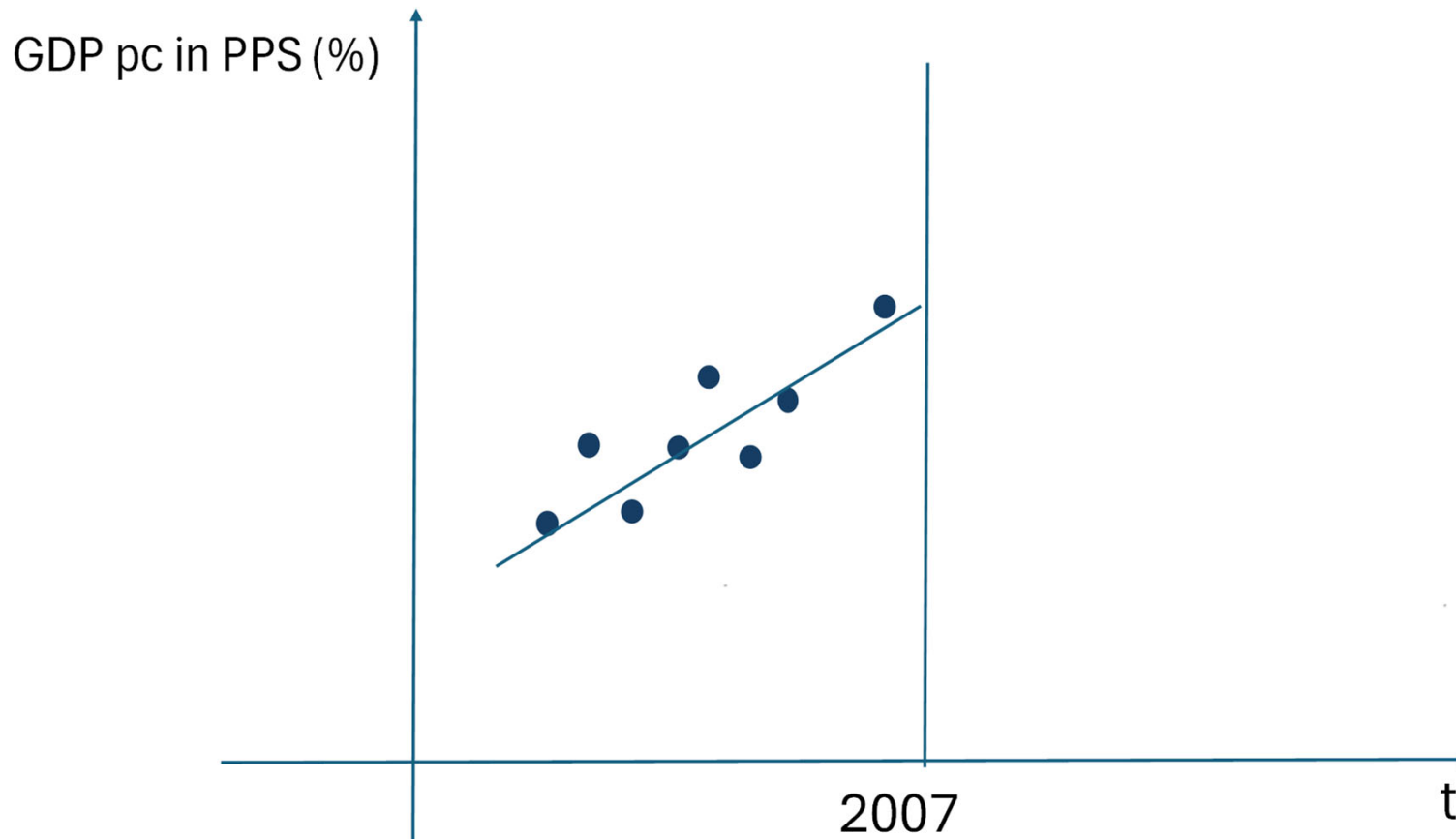
What does the paper do? Some intuition first...



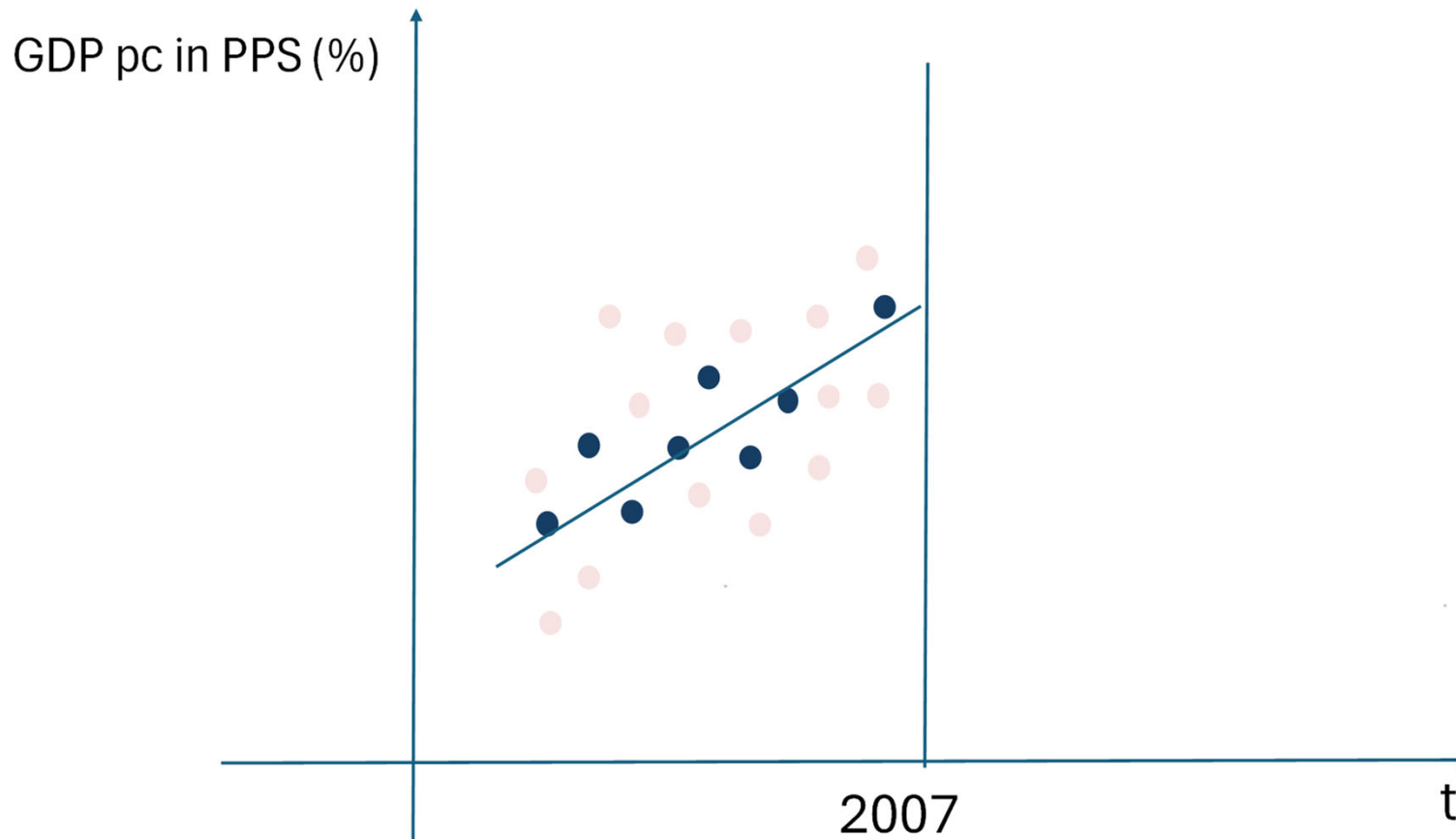
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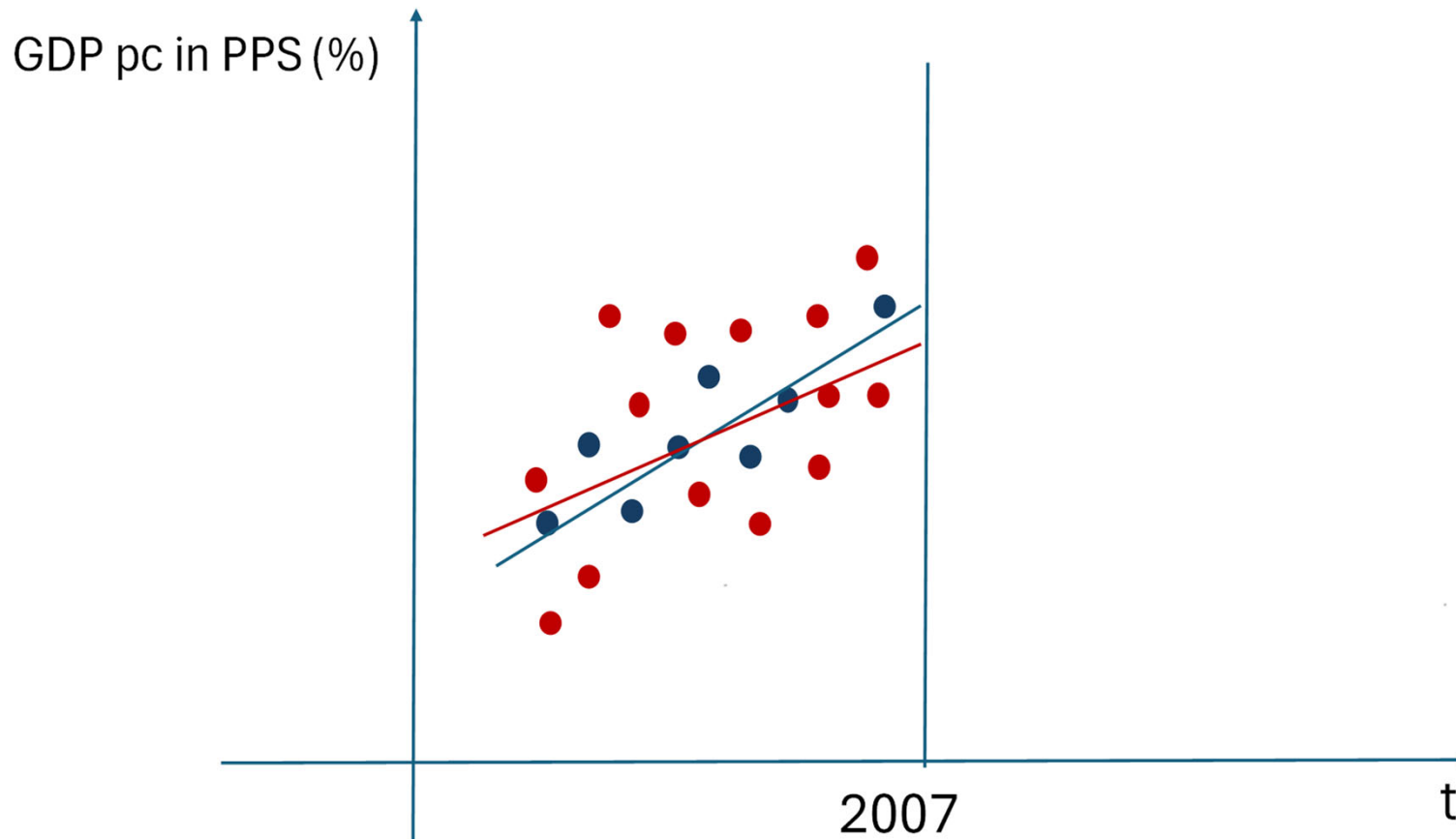
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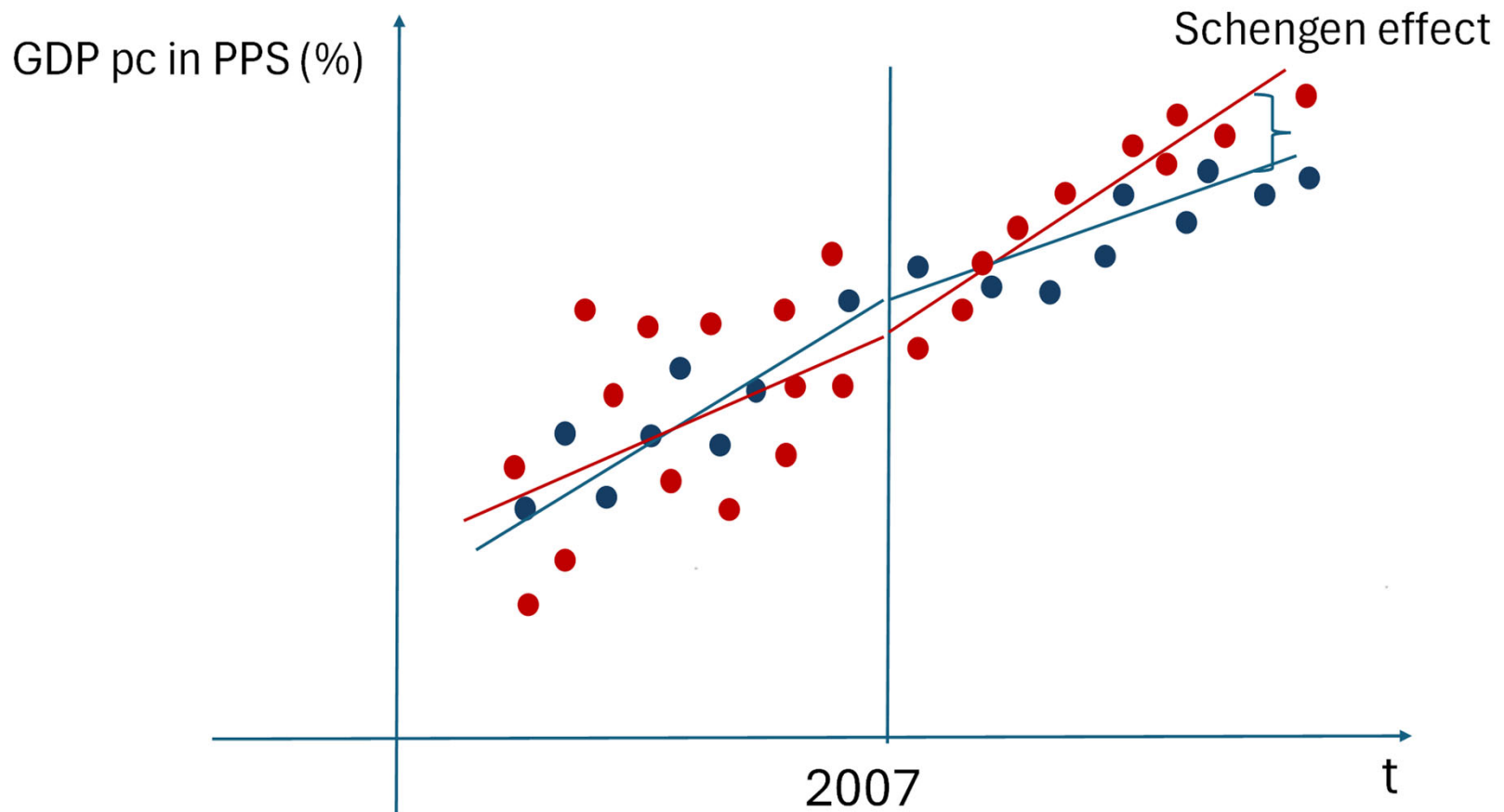


What does the paper do? Some intuition first...





## What does the paper do? Some intuition first...



## ...now in a nutshell

**Objective:** GDP growth impact of Schengen membership for Romania & Bulgaria.

**Compare:** Treated (8 CEE countries that joined Schengen in 2007, no HR) vs Control (RO & BG)

**Method:** Synthetic Difference-in-Differences (SDID)

- „synthetic“ control constructed before 2007 as a weighted average of the treated countries so that it matches the (unweighted) average growth trend in BG and RO as closely as possible
  - For all combinations of 2-groups out of the 8 treated countries, then averaged
- After 2007: actual GDP growth in BG and RO compared to this synthetic (counterfactual) => difference interpreted as the Schengen effect

**Econometric toolkit** used in estimation:

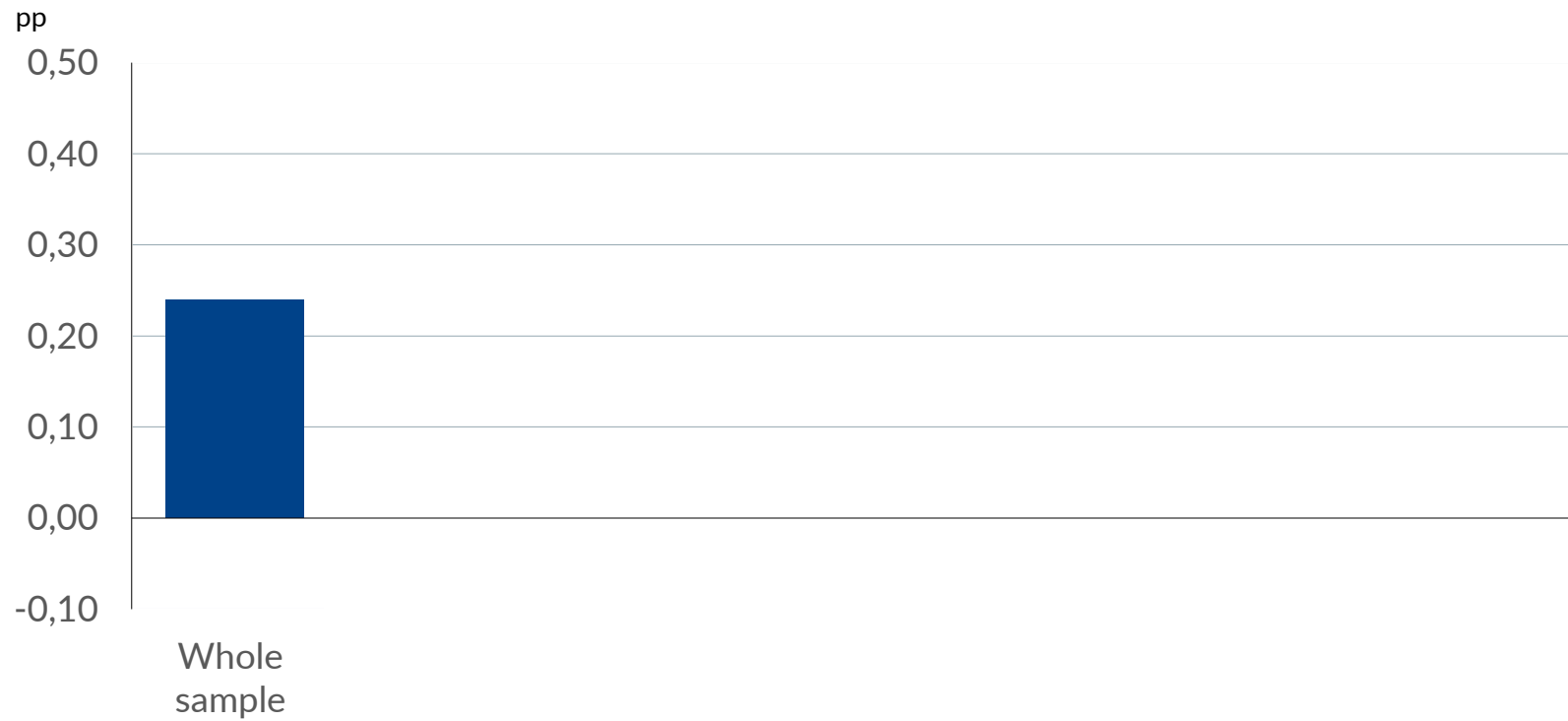
- Two structural covariates: GDP per capita in PPS, population aging (exogenous to Schengen)
- Everything else captured by
  - Fixed effects (country- and time-specific influences)
  - GMM and instruments (budget balance, real interest rate) to handle endogeneity and heteroskedasticity
  - Unobserved common factors such as EU-wide shocks, regional dynamics, pandemic, UA-war – detected via PCA

**Data:** (interpolated) quarterly data 2000 Q1 – 2024 Q1

- **Pandemic and war in UA?:** GDP growth data adjusted such that the variance matches the pre-pandemic variance.

## Results?

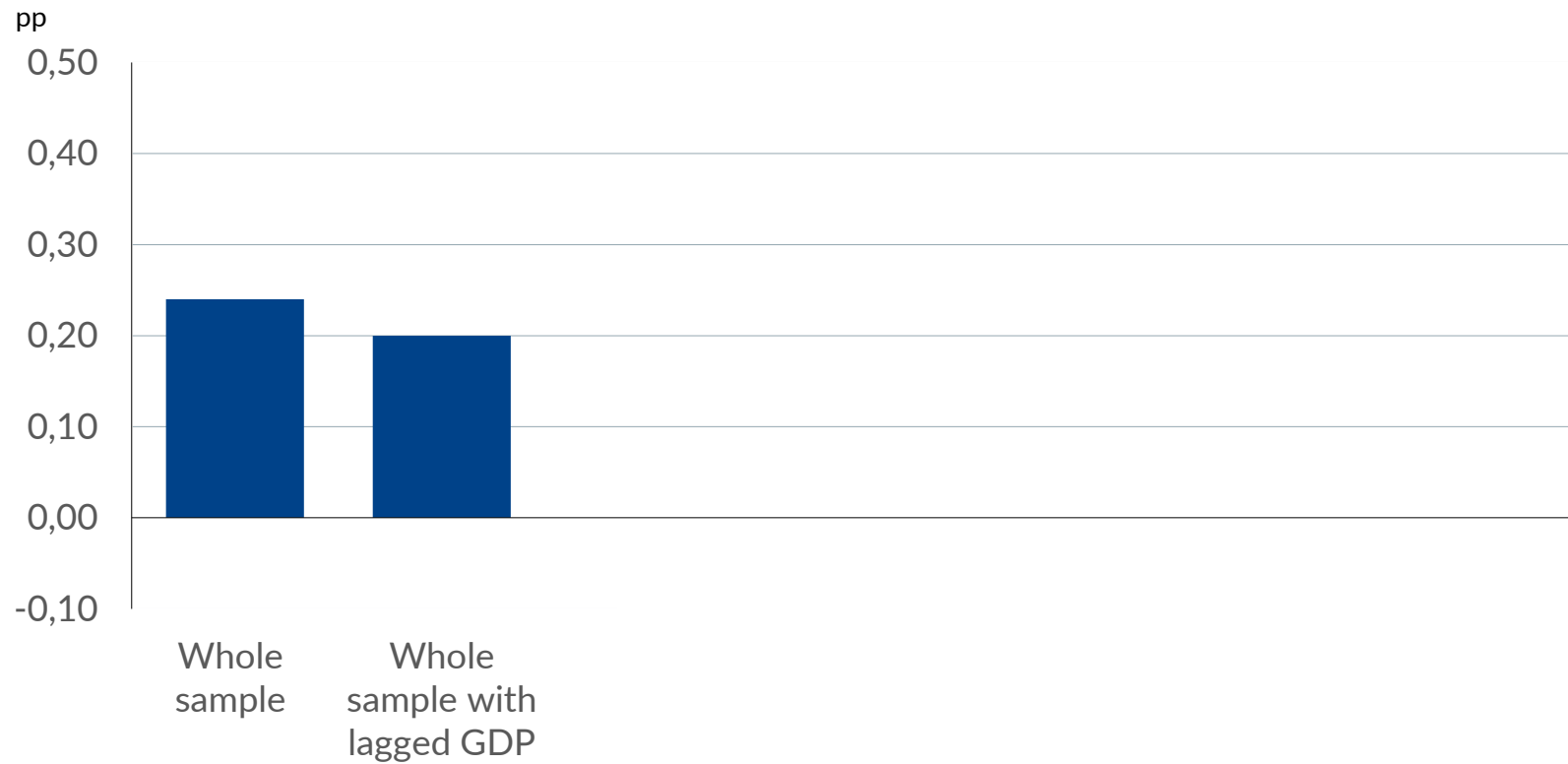
### Schengen impact on GDP growth (annualized)



Source: own depiction based on Lovin et al. (2025)

## Results?

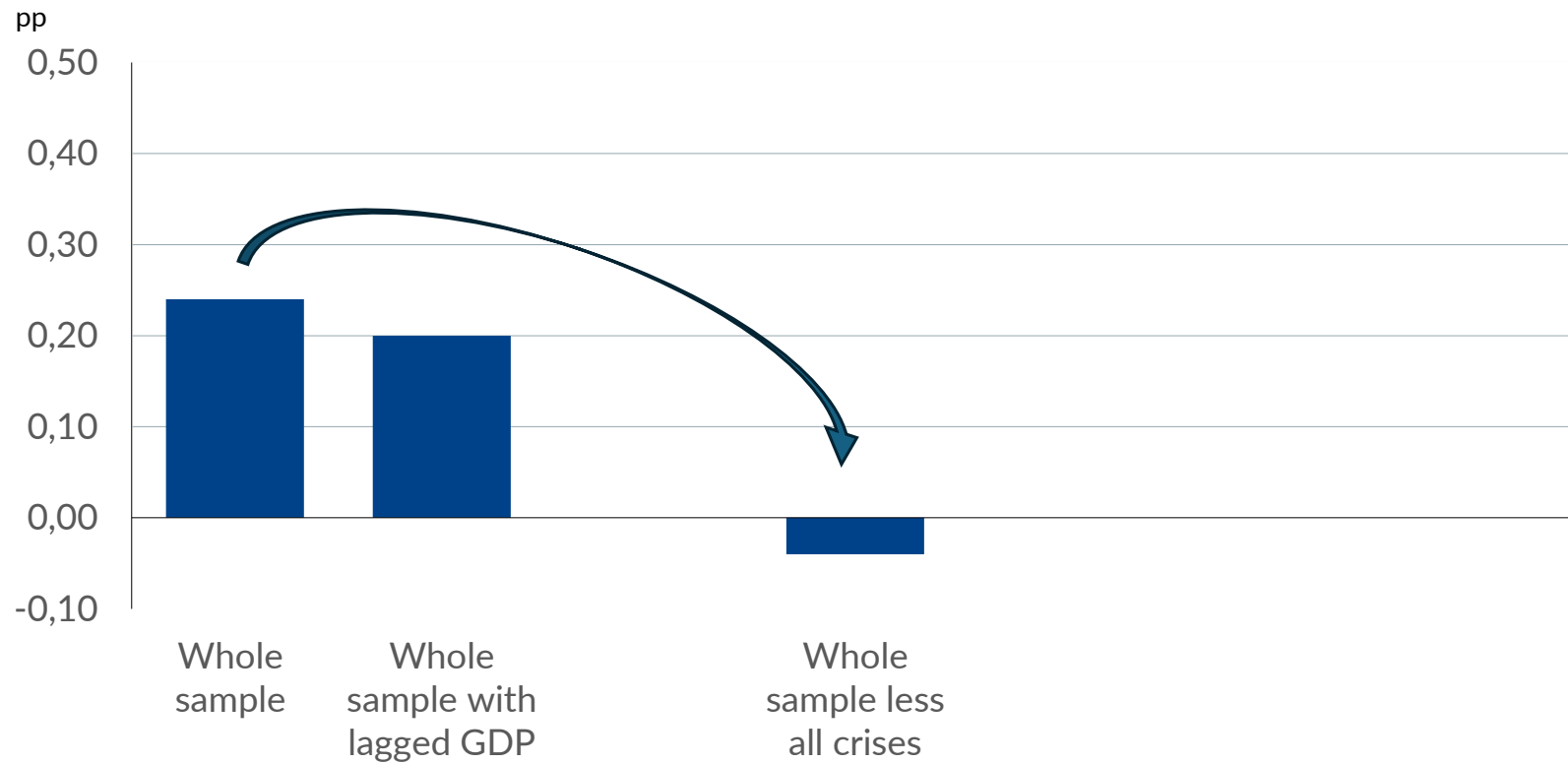
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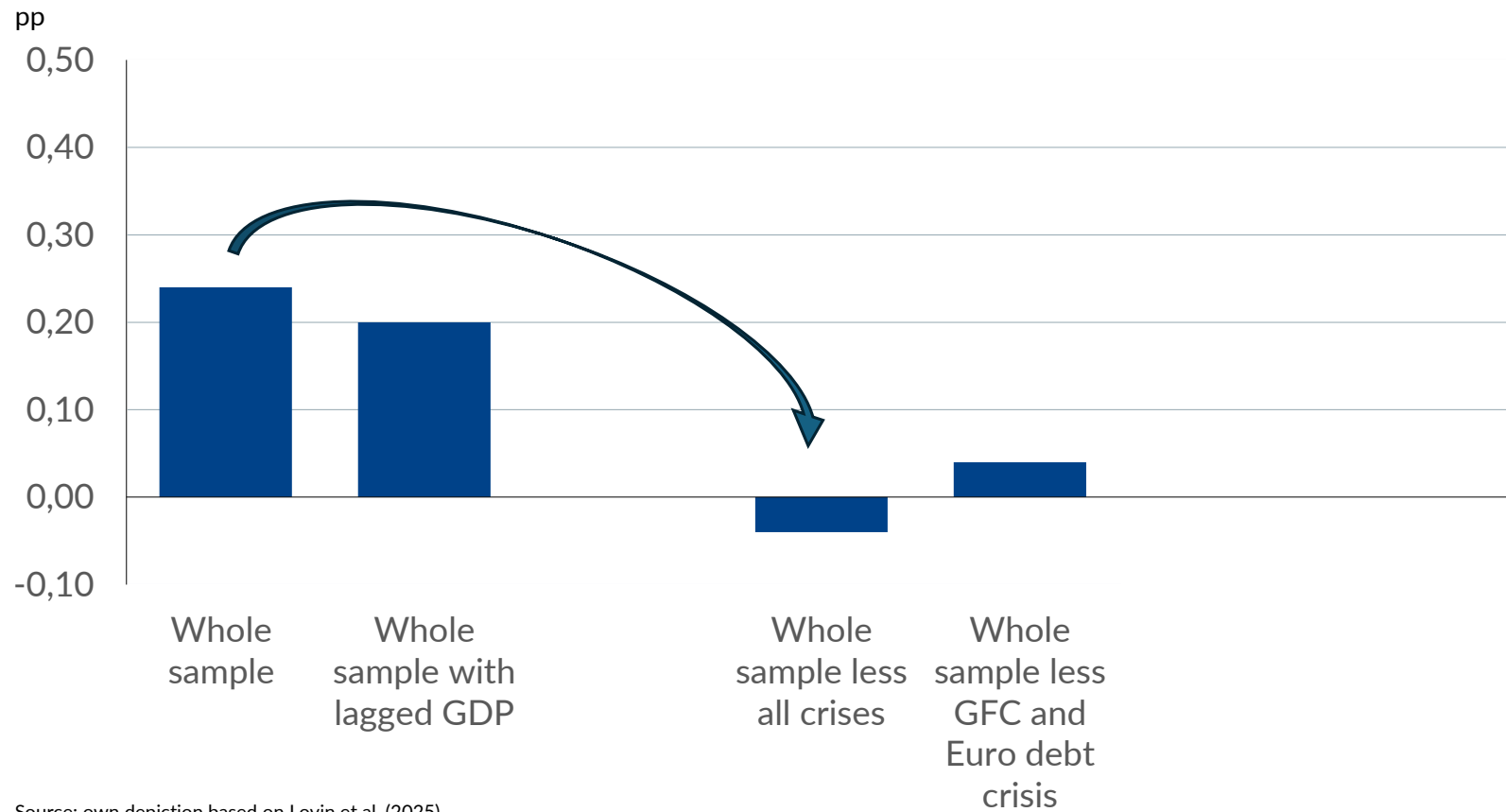
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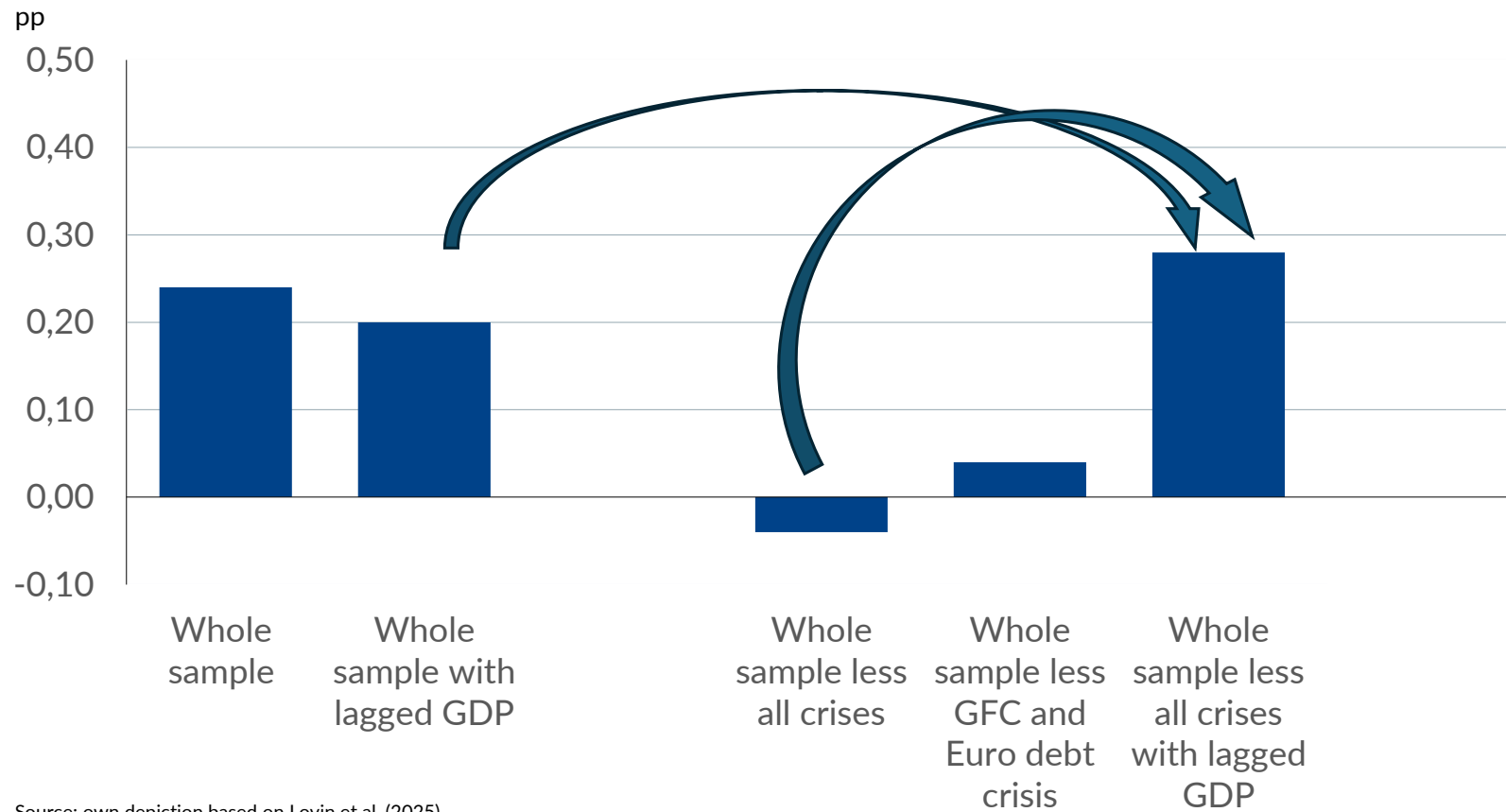
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### Schengen impact on GDP growth (annualized)



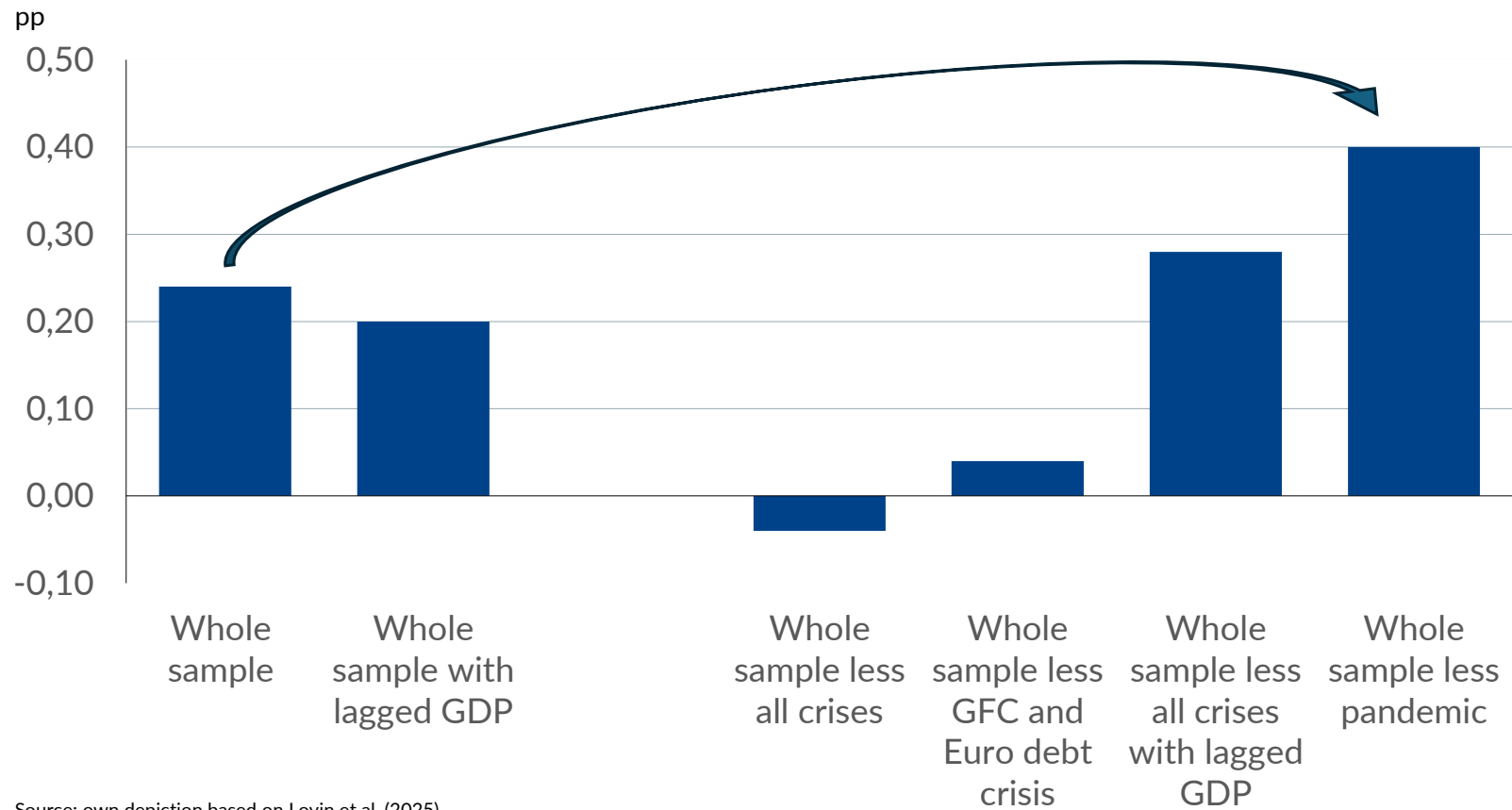
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### Schengen impact on GDP growth (annualized)





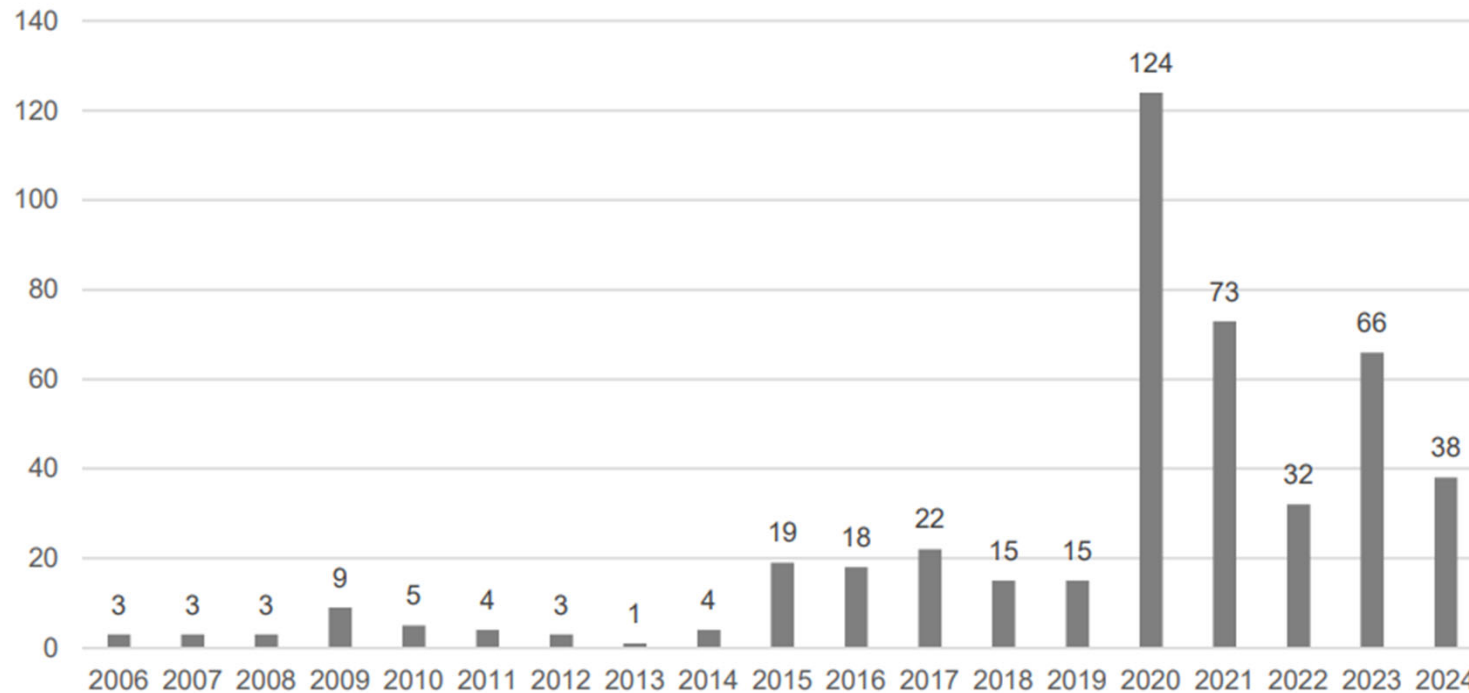
## Questions / suggestions: Method

- Misspecification in eq. 5 and 12?:  $D_{EuroArea_{it}}$  or rather  $(1 - D_{EuroArea_{it}})$  ? -> discrepancy with the text
- SDID relies on **parallel trends during pre-treatment**: visual and statistical check of the quality of the match as biases might remain if treated and control countries differ structurally (not captured by fixed affects)?
- **Variance adjustment during shock periods**: method and its implications not explained and discussed
  - Re-scaling volatility does not remove structural distortions -> results sensitive to in-/exclusion of crises
- **Lags of covariates** considered?
- **Confidence intervals and/or significance** not clearly reported/discussed.
- Comparison of **GDP in PPS across countries and time is problematic** (see [Oblath \(2023\)](#))

## Questions / suggestions: Results

- **Wide range of estimates** (0 to 0.4% annually) depending on the specification and sample: **Is this robust?**  
...maybe broadly consistent but sensitive to sample choice and crisis episodes.
- Some **contradictory results** need more attention/explanation: if all crisis episodes removed the effect almost disappears. When only the pandemic is removed, the effect increases to a maximum.
  - Schengen providing only a **negligible contribution to growth in normal times?** It may boost resilience during some crises, but the pandemic was different and suppressed the benefits.
- Schengen? What Schengen?

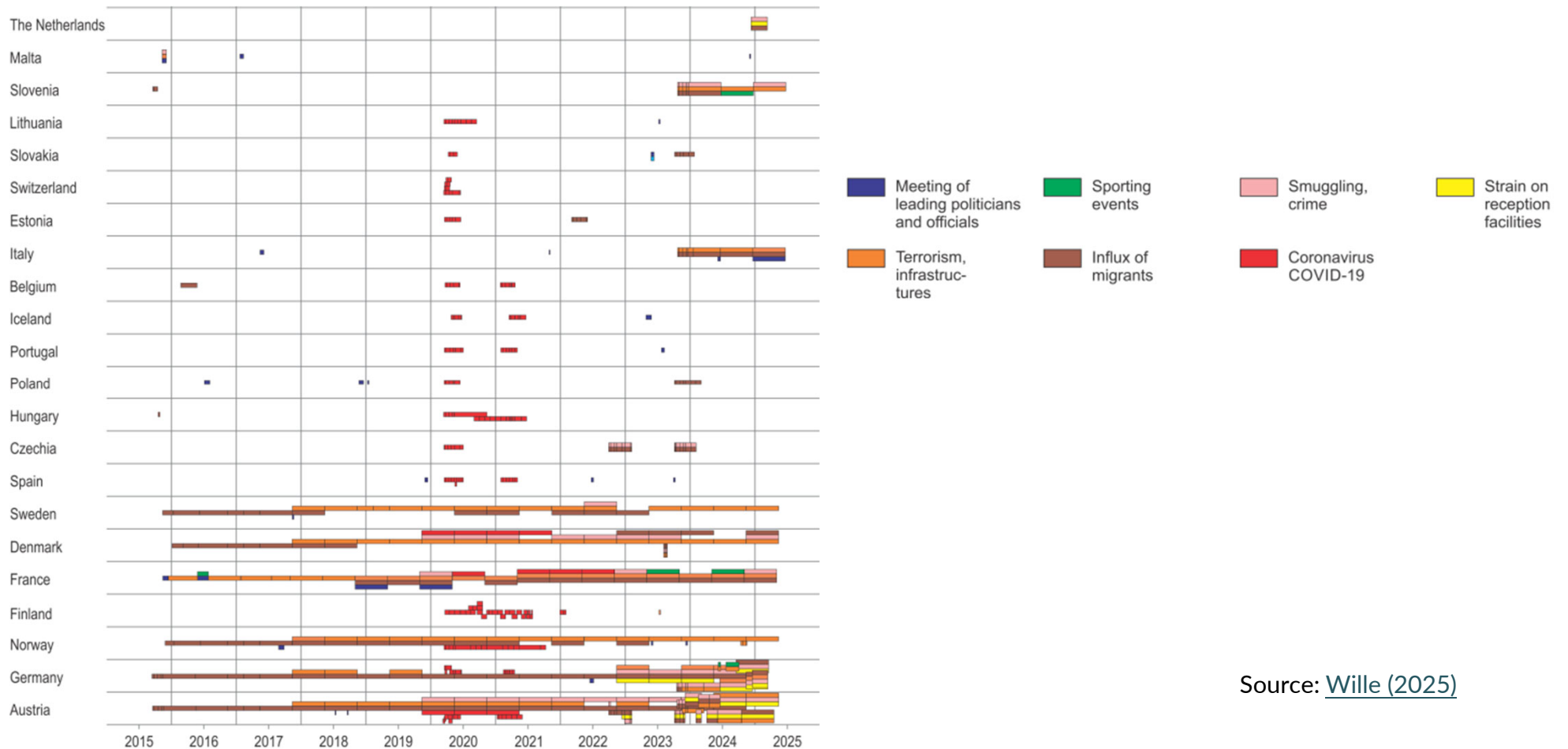
## Steady reintroduction of border controls since 2015



**Figure 1:** Registered notifications between 2006 and 2024 concerning the reintroduction of temporary controls at EU internal borders, by year – Source: EC, 2025a (as of January 14, 2025), my analysis.

Source: [Wille \(2025\)](#)

## ...dismantling the Schengen spirit of open borders



Source: [Wille \(2025\)](#)

## Overall assessment

### Econometrically:

- reasonable, comprehensive and modern approach but transparency and robustness could/should be improved.

### Economically:

- effect plausible and broadly in line with theory and literature, but magnitude and interpretation should be treated cautiously and/or better discussed, especially in light of the vanishing Schengen spirit.



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# Thank you for your attention!

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