

ECONOMIC EFFECTS OF CEE COUNTRIES INTEGRATION INTO THE EUROPEAN UNION

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Abstract:

The integration of Central and Eastern Europe (CEE) countries into the European Union is supposed to bring them significant benefits. Along with the effects coming from changes in tariffs, accession to the EU internal market and free labor movement on GDP, consumption and terms of trade, the absorption of EU funds could help the process of convergence and catching up. Discussing the results of two "extreme" scenarios (full absorption of funds or non absorption at all, assumptions considered as not realistic) by the application of HEROM model for Romania, the study attempt to assess the impact of EU structural funds on foreign trade development, under the circumstances of different absorption rates, finding a stronger impact on exports compared with imports. However, adverse effects of the current international financial crisis could occur, affecting also the prospects for the Romanian economy.

Keywords: *Economic integration, EU policy of economic and social cohesion, structural funds, absorption capacity, economic development, macroeconomic modeling and forecasting.*

JEL codes:: *C53, E17, F15, F36, F43, F47, O19*