

THE EXPERIENCE OF INSTITUTIONAL AND ECONOMIC INTEGRATION OF CENTRAL AND EASTERN EUROPEAN COUNTRIES INTO THE EUROPEAN UNION

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Abstract: This study examines the institutional and economic integration of Central and Eastern European countries into the European Union and assesses its relevance for Ukraine in the context of its newly acquired candidate status. The research focuses on the mechanisms of institutional adaptation, legal harmonization, and economic modernization implemented during the EU’s *Eastern enlargement*, with particular attention to the role of financial instruments (PHARE, SAPARD, ISPA) and the Copenhagen criteria. The analysis highlights both the benefits of integration such as increased investment attractiveness, access to the EU internal market, and institutional modernization and the structural challenges, including socio-economic disparities, fiscal imbalances, and dependence on foreign capital. Methodologically, the study employs a comparative institutional and structural analysis of the reforms undertaken in eleven Central and Eastern European countries from the 1990s to the 2010s. The results demonstrate that while integration facilitated convergence with Western European standards, it also generated significant transitional costs, such as industrial closures, high unemployment, and social inequality. The article argues that for Ukraine, the key lessons of this experience lie in the necessity of strategic evaluation of internal institutional and structural deficits. The findings contribute to the academic discourse by providing a systematic assessment of integration outcomes and outlining a framework for Ukraine’s sustainable accession strategy in the post-war period.

Keywords: European integration, institutional transformation, economic convergence, Central and Eastern Europe, Ukraine, EU enlargement

JEL Classification: F15, F36, O52, P27

1 Introduction

The acquisition of candidate status for European Union membership by Ukraine in the contemporary, specific-historical context has created a strong motivation to determine concrete strategic steps toward full membership. In this context, the analysis of the experience of eleven Central and Eastern European countries, which implemented large-scale institutional and economic transformations within the framework of the EU’s “Eastern Enlargement,” is of particular importance. Specifically, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, the Czech Republic, and Estonia became EU members in May 2004; Bulgaria and Romania joined in 2007, and Croatia in 2013.

This enlargement brought both anticipated benefits, such as increased investment attractiveness, access to the EU internal market, and institutional modernization, and a number

of unforeseen challenges, including the intensification of structural disparities, growth in socio-economic inequalities, and the need to adapt to the EU's strict regulatory requirements. For Ukraine, this experience represents not only a source of practical lessons but also a framework for developing its own integration strategy, capable of taking into account the specificity of the national economic system and the unique challenges of post-war development.

2 Research methods

The methodological basis of this research is the paradigm of light-system analysis. With the help of such a basis, one can interpret the European integration transformations of the countries of Central-Convergent Europe as the process of inclusion of their national economies into the European Union from the hierarchical structure and division of roles attached to it. The use of light-system analysis makes it possible to investigate not just the state, but the mutually related totality of countries that operate between the residential economic and institutional space, and carry out the analysis of the group transformation itself directly. This methodological approach makes it possible to trace the rise of not just one power, but a group of countries of Central-Converging Europe on the path to the EU.

In order to achieve the goals set in the statistics, a systemic-structural and level analysis has also been carried out, allowing us to understand the dynamics of integration processes in a group of countries, to assess the stage of their adaptation to EU standards and reveal major structural imbalances, as well as problems that arose in the integration process. A regular analysis has revealed the success and failure of reforms by officials. The comprehensive use of methodological tools will ensure the ability to formulate guidelines and recommendations for current candidate countries for accession to the EU, including Ukraine and Moldova. The light-system analysis itself makes it possible to integrate individual national characteristics into the broader context of the European integration space, in order to obtain results that are meaningful in both the theoretical and applied worlds.

3 Institutional and Economic Motivation

The primary determinant of the economic motivation of Central and Eastern European states to join the European Union was the strategic aspiration to leverage the institutional and resource advantages of the EU integration space to accelerate the modernization of national economic systems and achieve sustainable economic growth. In the long term, the key objective of this process was viewed as bridging the structural, economic, and socio-civilizational gap between the countries of this region and the highly developed Western European states in terms of population income, labor productivity, production competitiveness, and quality of life (Anusik, Riedel, 2023).

Achieving these objectives required comprehensive institutional adaptation, that is, the transformation of national institutional systems in accordance with European standards of legal, economic, and social regulation, as well as deep economic integration into the EU internal market, which ensured the free movement of goods, capital, services, and labor. An important factor stimulating structural transformations was the financial instruments of European regional policy, particularly access to resources from EU structural and cohesion funds. The funds were used to upgrade infrastructure, develop human resources, introduce new technologies, and improve the efficiency of the institutional component of member states. A reasonable combination of institutional reforms and access to EU financial funds created conditions for increasing the efficiency of structural restructuring of the economy, resulting in increased investment attractiveness and economic rapprochement with countries that are "old" EU members. A study of the experience of individual states (for example, Poland and Hungary) has shown that Europeanization was accompanied by parallel regionalization and changes in the internal architecture of public administration (Hughes, Sasse, & Gordon, 2004).

4 Institutional Reforms and Adaptation

In the period from the 1990s to the early 2000s, the countries of Central and Eastern Europe carried out institutional and structural reforms. Researchers have called these reforms the process of "borrowing market institutions and democracy" from the "old" members of the European Union. In content, this meant copying individual organizational and legal norms or economic regulations, as well as the purposeful formation of a new content of socio-economic relations that corresponded to the internal content of European integration. The essence of the new content of socio-economic relations was to change the economic mechanism based on a healthy competitive environment, the existence of private property, liberalization of prices and trade, as well as the democratic transformation of the political system and the formation of institutions of the rule of law.

In order to maintain the stable integration of the states of Central and Eastern Europe, the European Union developed and implemented a mechanism for their gradual involvement in its own economic, political and institutional system. This mechanism was implemented through the creation of specialized financial systems, the purpose of which was to ensure adaptation and modernization processes in the candidate countries (Shkolnykova, 2025). The decisive role in this context was played by instruments such as:

1) PHARE (Poland and Hungary: Assistance for Restructuring their Economies, later expanded to all countries in the region) – the EU’s main program aimed at institutional development, strengthening administrative capacity, supporting structural reforms, and fostering private sector development. It functioned as a “preparatory tool” for aligning national systems with the EU’s **acquis communautaire**.

2) SAPARD (Special Accession Programme for Agriculture and Rural Development) – a specialized fund to support the agricultural sector and rural areas. Its objectives included enhancing the competitiveness of agricultural production, modernizing rural infrastructure, promoting environmentally sustainable agriculture, and gradually integrating candidate countries’ agricultural policies into the EU’s Common Agricultural Policy (CAP).

3) ISPA (Instrument for Structural Policies for Pre-Accession) – a financial instrument focused on funding large infrastructure projects, primarily in transport and environmental sectors. Its key aim was to align Central and Eastern European transport corridors with the European infrastructure network and to adapt environmental standards to EU requirements.

The coordinated operation of these programs created a comprehensive external support mechanism, enabling countries in the region not only to implement structural modernization of their economies but also to form institutional prerequisites for full participation in the EU internal market. Thus, the interaction between domestic reforms and external financial and organizational incentives became the foundation for accelerating integration processes and reducing the gap in socio-economic development levels between the “new” and “old” EU members. At the European Council meeting in Copenhagen in 1993, a set of political, economic, and legal requirements for candidate countries was institutionalized, known as the **Copenhagen Criteria**. These criteria became the foundational normative reference for the EU enlargement process and defined the framework parameters of integration readiness for Central and Eastern European countries.

Politically, the criteria required the presence of stable democratic institutions capable of ensuring the rule of law, an effective system for protecting human rights and freedoms, and guarantees for respect for the rights of national minorities. Therefore, candidate countries were expected not only to formally declare democratic principles but also to establish a resilient institutional architecture capable of guaranteeing their practical implementation.

Economically, the criteria required the functioning of a viable market economy capable of withstanding competitive pressures and integrating into the EU’s single internal economic

Annual International Scientific Conference
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September 26-27, 2025
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system. This entailed the liberalization of economic relations, structural restructuring of production capacities, and the creation of conditions for institutional adaptation of market mechanisms to the **acquis communautaire**.

The legal and institutional component of the criteria meant that the candidate country had to be ready to assume all obligations arising from EU membership, including the implementation of EU legislation and adherence to its political, economic, and monetary objectives. Thus, the Copenhagen criteria played the role of an “integration filter”. This filter assessed how candidate countries ensure political stability, the competitiveness of the market mechanism and legal similarity with the institutional system of the European Union (Kusińska, Strzelecki, 2021).

In 1995, the Council of the European Union approved the “White Paper on the preparation of the associated countries of Central and Eastern Europe for integration into the EU internal market” prepared by the European Commission. This normative and methodological document became the basis for the process of legal and institutional adaptation. It included about 820 acts of EU legislation, which were harmonized with the national legal systems of the candidate states (European Commission, 1995).

The annexes to the “White Paper” contained information on the approximation of the legal norms of the candidate countries to the *acquis communautaire* in 23 sectors of economic and social policy. In addition to legal norms, the document provided for the creation of administrative and technical institutions that were necessary to ensure the implementation of EU legislation in practice and to supervise the process of approximation of legal systems.

The White Paper served as a so-called roadmap, with clear time parameters, control mechanisms and consistency in the implementation of reforms. Its implementation was carried out through partnership coordination between the governments of the candidate countries and European Union experts. In the process of integration preparations, the European Union criticized and exerted tough regulatory pressure on the countries of Central and Eastern Europe regarding certain sectors of their economic policy. Particular attention was given to the energy sector: programs based on the operation of Soviet-era nuclear power plants were deemed non-compliant with European safety and environmental standards. As a result, most of these facilities were gradually decommissioned, except for certain energy units in Hungary that remained operational due to strategic and technical considerations.

Industrial and food production also faced substantial restrictions. Production facilities that did not meet EU sanitary, technical, and environmental standards were closed. This was particularly relevant for food industry enterprises that failed to maintain proper hygiene practices, as well as industrial plants with excessive atmospheric emissions into the atmosphere that violated European environmental policy standards.

The European Union also had strict control over the transport and defense sectors. In this area, old vehicles, urban public transport and military equipment were gradually replaced. This modernization was aimed at ensuring that technical equipment and environmental parameters met EU standards.

The European Union also established rules for the privatization process and the participation of foreign capital in entrepreneurial activity. Certain rules were outlined for the purchase and sale of land to foreign private entrepreneurs, the return of national capital and the protection of national economic interests in the context of liberalization of integration relations.

Negotiations on the accession of candidate countries to the European Union were necessarily held on a bilateral basis. The national socio-economic specifics of each state were taken into account. Thus, the negotiation process consisted of two interrelated stages: a comprehensive analysis of the country's compliance with the Copenhagen criteria, as well as

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an assessment of the degree of progress and approximation of national legislation with EU norms and standards.

Within the framework of this process, the main conditions for accession were outlined, which included the introduction of temporary exceptions from the general EU rules. In turn, this approach allowed taking into account the national characteristics of the countries and the difficulties that arose during the transition to new norms and rules.

Alongside legal reforms, the accession process of Central and Eastern European countries also involved financial conditions of integration. Key aspects included the contributions of candidate countries to the EU budget and the mechanisms for receiving transfers from the Union’s general funds, which had a compensatory and incentivizing effect for modernizing national economies. This financial balance simultaneously ensured a fair distribution of burdens and resource support for structural reforms necessary to align candidate countries’ standards with the EU internal market requirements.

Compliance with the economic criteria required all candidate countries to maintain a functioning market economy capable of withstanding fierce competition in the EU internal market and integrating into the European economic system. In Poland and the Czech Republic, for example, the industrial base was reformed, and state-owned enterprises were privatized to ensure effective market competition (Lados, Sowa, 2022)

For implementing the most complex EU norms, transitional periods were established to gradually achieve compliance with standards. In the area of free movement of persons, candidate countries had limited periods during which special quotas for workers from new member states applied. In agriculture, transitional mechanisms allowed for gradual introduction of EU subsidies and standards in the Baltic States and Hungary, ensuring financial and technical readiness of farming enterprises for full integration into the Common Agricultural Policy.

Measuring the overall economic effect of institutional reforms remains methodologically complex due to the multifactorial nature of impacts and time lags in transformation implementation. Nevertheless, it is undeniable that the institutional adaptation carried out by Central and Eastern European countries brought previously underdeveloped democratic, economic, and legal institutions, as well as civil society institutions, into compliance with the high standards of the European Union.

Improvement of institutional components generated a positive multiplier effect at both micro- and macro-levels. This was manifested in increased efficiency of management procedures, strengthening of legal norms and regulatory control, substantial reduction in corruption levels, and increased transparency in the functioning of state and market institutions. Collectively, these factors created conditions for sustainable economic growth, enhanced investment attractiveness, and positively impacted citizens’ quality of life, fostering social and economic convergence with Western European countries.

5 Structural Disparities and Economic Challenges in New EU Member States

The experience of Central and Eastern European countries demonstrated that, at the time of integration, optimal institutional frameworks for candidate EU members were absent, and the gap in economic, social, and administrative development between candidate countries and existing EU members remained significant. For example, in Poland, national enterprises experienced economic losses due to prioritization of public contracts for firms from older EU members, limiting access to government contracts and slowing industrial sector modernization. In Hungary, the implementation of European environmental and sanitary standards led to the closure of some food industry enterprises that did not meet EU requirements for product safety and emissions control.

Such structural changes had a complex effect: on one hand, they contributed to gradually aligning national economies with the standards of the EU internal market; on the other hand, they created short-term economic costs and social challenges. This experience underscores the necessity of a sequential adaptation of institutional, legal, and economic infrastructures of candidate countries before full EU membership, as well as the importance of EU support and corrective mechanisms to ensure economic stability during the transition phase of integration.

Analysis of the institutional environment shows that despite systematic work on adapting European legal norms, creating a homogeneous institutional space in Central and Eastern European countries was not fully achieved. Notable differentiation exists in areas such as taxation, contract enforcement, and reducing corporate insolvency. These discrepancies reflect uneven efficiency of national legal and economic institutions and differing speeds of adaptation to EU standards, limiting full integration into the internal market and affecting the competitiveness of new member economies (Sagan, Záhradník, 2023)

6 Causes of Economic Problems in New EU Member States and Lessons for Ukraine

The process of economic alignment within the EU can be viewed as a complex mechanism for overcoming historical structural backwardness through modernization and integration into the common market (Epstein, 2014)

The primary reason for the problems that emerged in the economies of new EU countries is that Central and Eastern European nations adopted the European integration model of economic growth, which was based on a liberal economic paradigm characterized by the removal of all restrictions on the movement of capital, goods, services, and labor. External liberalization, as one of the main imperatives of this model, was accompanied by a substantial increase in foreign direct investment (FDI) in Central and Eastern Europe. However, much of this investment was directed by transnational corporations to establish subsidiaries, which did not contribute to the overall modernization of national economies.

The majority of FDI was concentrated in financial services, trade, and real estate turnover, with only a very limited share entering the real sector. In industry, such investments were mostly allocated to assembly operations, where the national component of production was minimal. In conditions of open competition from foreign producers of goods and services, many domestic manufacturers did not receive state support and were closed. National economies that failed to create innovative sectors and production clusters capable of withstanding foreign competition relied solely on lowering labor costs per unit of low value-added products. Cost-cutting in labor and the focus on maintaining competitiveness of manufactured goods led to growth in net exports but significantly reduced overall domestic demand, which had previously been stimulated by credit expansion. When credit support was halted amid the global financial and European debt crises, economic growth in Central and Eastern European countries was seriously affected. The reduction of corporate taxes as a measure to attract foreign capital led, in nearly all countries of the region, to an increase in government budget deficits. Consequently, this deficit resulted in reductions not only in social spending but also in funding for areas crucial for economic growth, such as education and scientific research.

Central and Eastern European countries demonstrated recovery-driven economic growth after joining the EU, which continued until the onset of 2008. Positive trends in factor productivity were accompanied by clearly negative phenomena, including high unemployment, large-scale migration (especially of young people), and increasing income inequality. Support for new EU member states through transfers from structural and cohesion funds (amounting to approximately 2.6% of their total GDP) helped to balance socio-economic development in these countries. Fund allocations were mainly directed toward environmental projects and infrastructure development. The provision of these funds required national co-

financing, fostering development in areas prioritized by EU leadership. Per capita subsidies were higher in countries with relatively strong development indicators, which led to increased socio-economic disparities among new EU members. For instance, differences between the high economic growth rate in Poland and the lagging development of Bulgaria became comparable to the gap between Germany and Greece.

The implementation of the integration model of economic growth in Central and Eastern Europe demonstrated that it could not provide the macroeconomic development necessary to overcome historically inherited semi-peripheral socio-economic conditions. This experience showed that Central and Eastern European countries increasingly depended on Western Europe for economic growth financing, particularly for long-term investments and sales of manufactured products. Moreover, during relatively dynamic growth years, most Central and Eastern European countries accumulated numerous internal structural problems. Due to this combination, these countries are more sensitive than other regions of the world to instability in the European economy, commodity markets, and capital flows. A slowdown in business activity in Western Europe causes a deceleration of economic growth in Central and Eastern Europe, primarily affecting export dynamics and foreign financial capital in new EU countries. Poland has demonstrated the greatest resilience, having received the largest amount of EU fund assistance compared to other countries and being the least integrated into the EU market, maintaining relatively healthy macroeconomic balances (Bukowski, 2014; Sadowski, 2010). Returning the economies of new EU member states to sustainable growth requires reforming national projections of the integration model, as the existing model has lost effectiveness under new conditions. This necessitates reducing dependence on foreign capital, diversifying exports, developing innovation as a driver of competitiveness, and shifting from technology imports to the creation of domestic innovative products. Successfully addressing these tasks would enable Central and Eastern European countries to achieve long-term economic growth rates sufficient to reduce their economic lag relative to developed EU countries.

For Ukraine, the lessons of this experience are especially important (Emerson, Blockmans, 2024; Börzel & Risse, 2010). Specifically, it is necessary to strategically assess internal institutional and structural deficits to avoid the imbalances experienced by Central and Eastern European countries. This also implies combining regulatory changes with programs supporting domestic producers and infrastructure modernization, introducing transitional periods for the most complex regulations, and establishing effective control and monitoring mechanisms.

7 Conclusion

The integration experiences of Central and Eastern European countries show multiple transformational effects: successful adaptation of EU standards, modernization of administrative and production capacities, and gradual improvement in citizens' quality of life. At the same time, structural disparities, underdeveloped institutional frameworks, and uneven economic capacities constrained full integration. For Ukraine, these lessons are crucial: it must strategically assess institutional and structural deficits, combine regulatory reforms with domestic production support, introduce transitional periods for complex regulations, and establish robust monitoring mechanisms. By doing so, Ukraine can mitigate risks observed in earlier EU enlargement and foster sustainable economic growth, technological advancement, and competitiveness within the EU framework.

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