



A catching-up model based on the integration into EU: experiences and lessons in CEE

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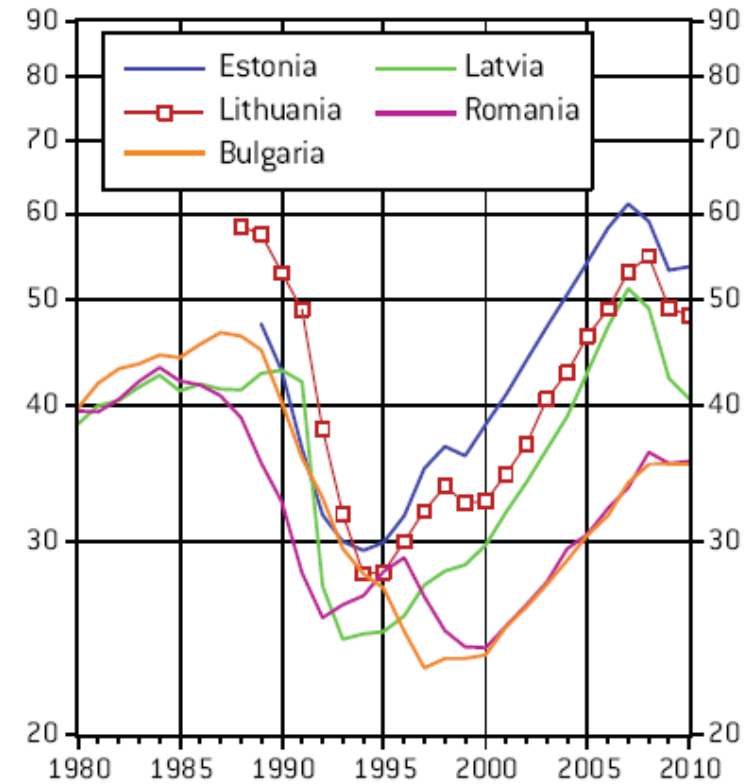
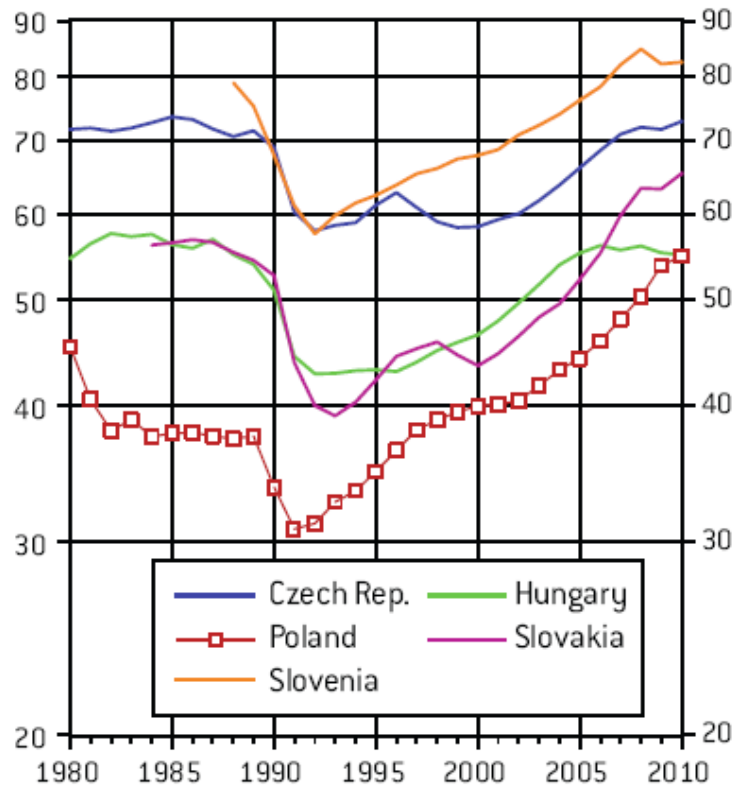


Summary

- 1. Catching-up model of CEE: European integration and economic growth
- 2. The impact of Financial Crisis to the catching-up model of CEE
- 3. Limits of the catching-up model of CEE



GDP per capital at ppp (EU15=100)



Resource: Torbjorn Becker, ect. *Whither growth in Central and Eastern Europe? Policy lessons for an integrated Europe*, Bruegel Blueprint Series, 2010. P.4



Economic Growth Model of CEE in socialist period

- Central Planned economy
- Deep Integration with COMECON (Council for Mutual Economic Association)
- Collaps and transition



Transition of CEE

- Parliamentary democracy
- Market Economy
- Privatization
- Accession to EU



Accession and conditionality

- Copenhagen European Council (1993):
 - Democracy;
 - Market economy;
 - the ability to take on the obligations of membership.
- Madrid European Council (1995):
 - Legislation and administrative reform



Accession and rewards

- Market accession
 - Capital inflow

 - Financial assistance

 - Labor force mobility
- and
- Economic growth

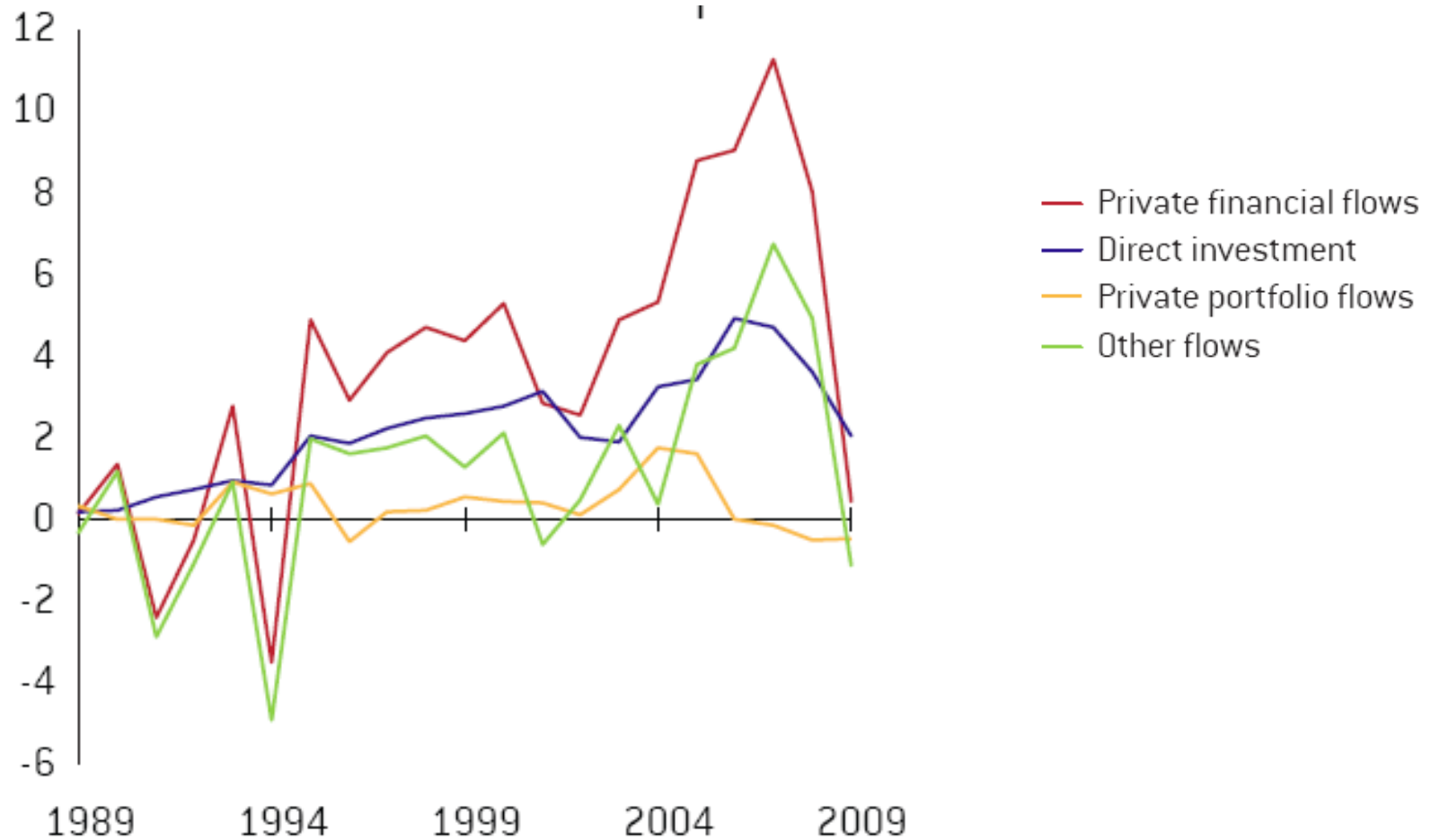


Main driven force of the economic growth in CEE

- FDI
- Deep trade dependency with EU
- Financial integration and credit heating
- EU financial transfer



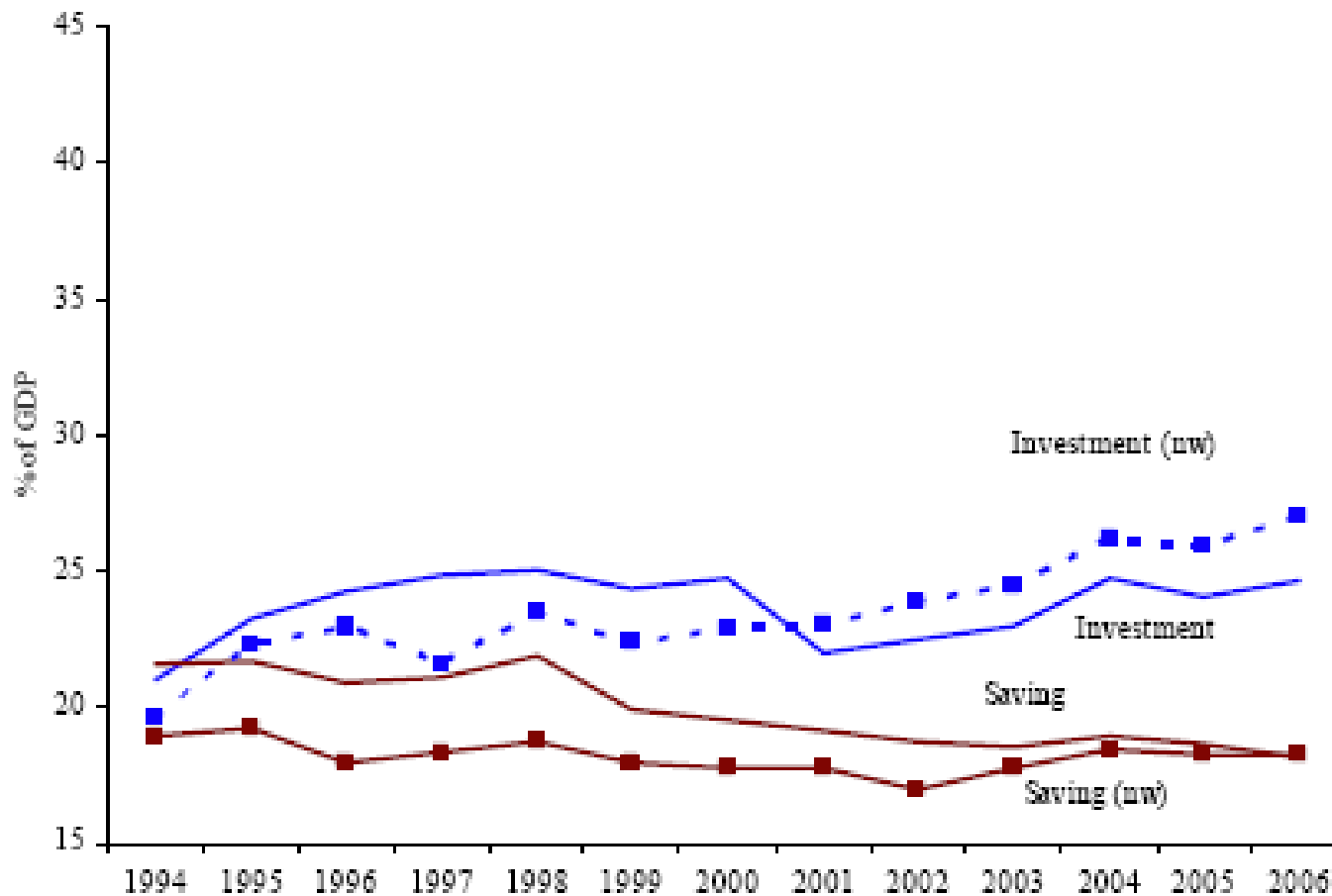
FDI and Capital flow



Resource: Torbjorn Becker, ect. *Whither growth in Central and Eastern Europe? Policy lessons for an integrated Europe*, Bruegel Blueprint Series, 2010. P.6



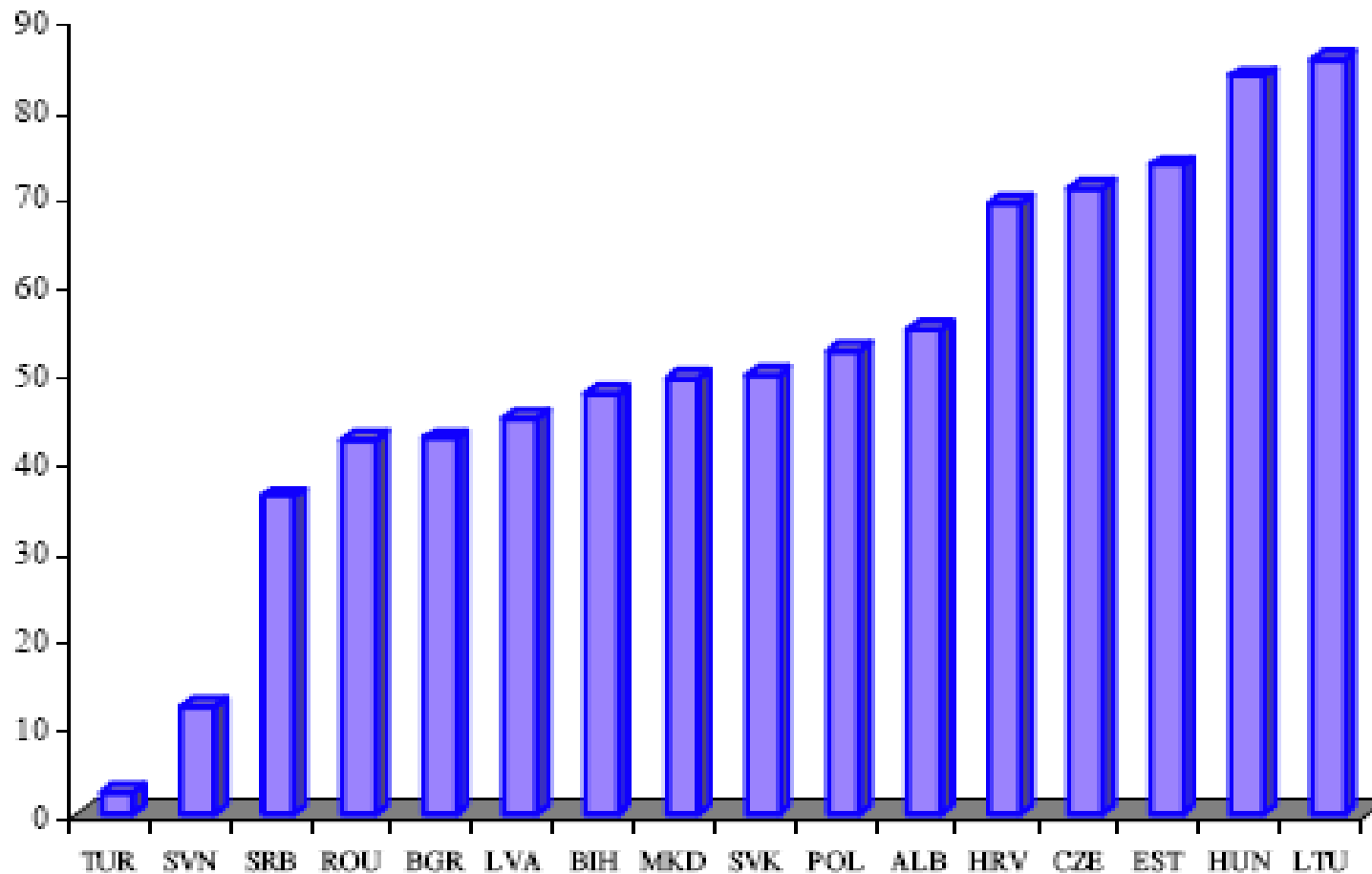
Saving and investment



As percentage of GDP, average, 1994-2006. European Economy, March 2009.



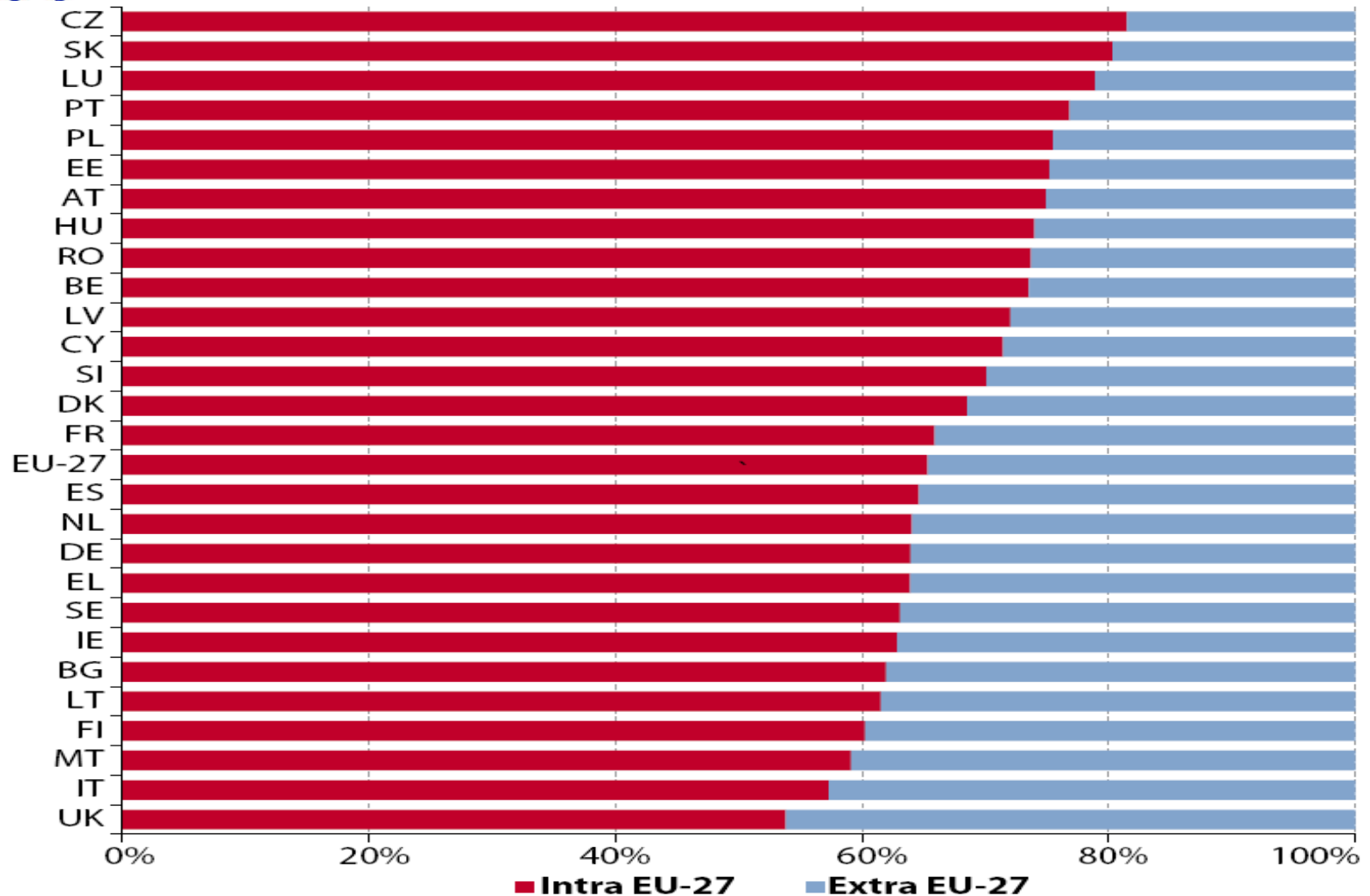
Foreign banking assets



As percentage of GDP, average, 1994-2006. European Economy, March 2009.

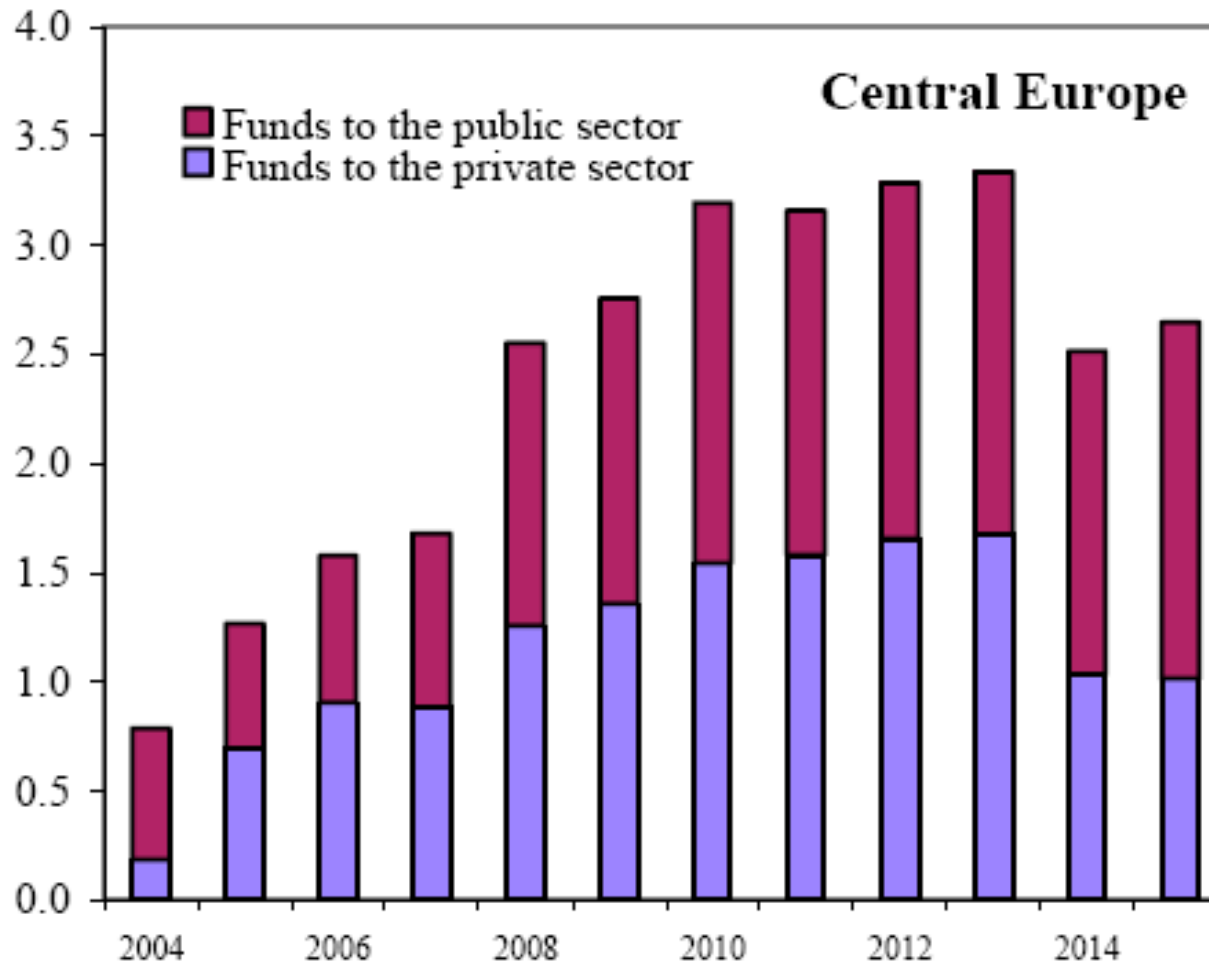


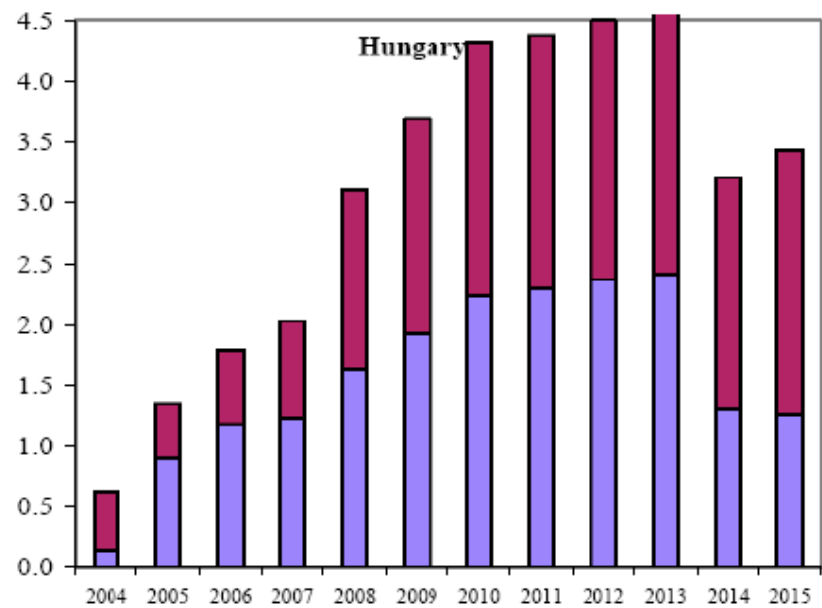
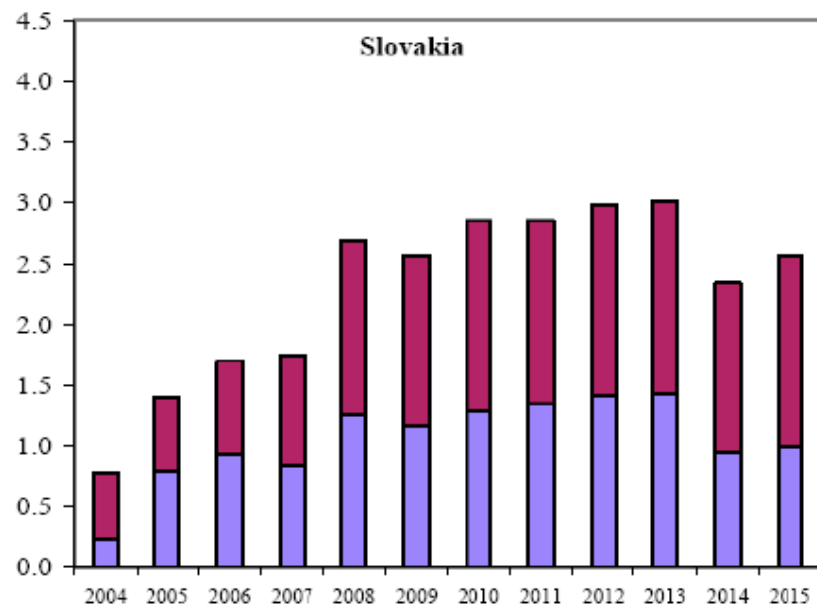
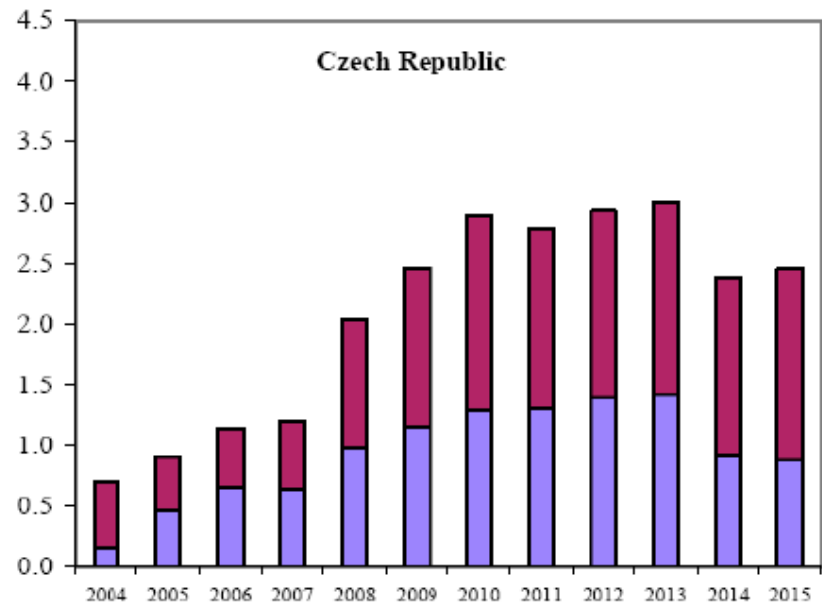
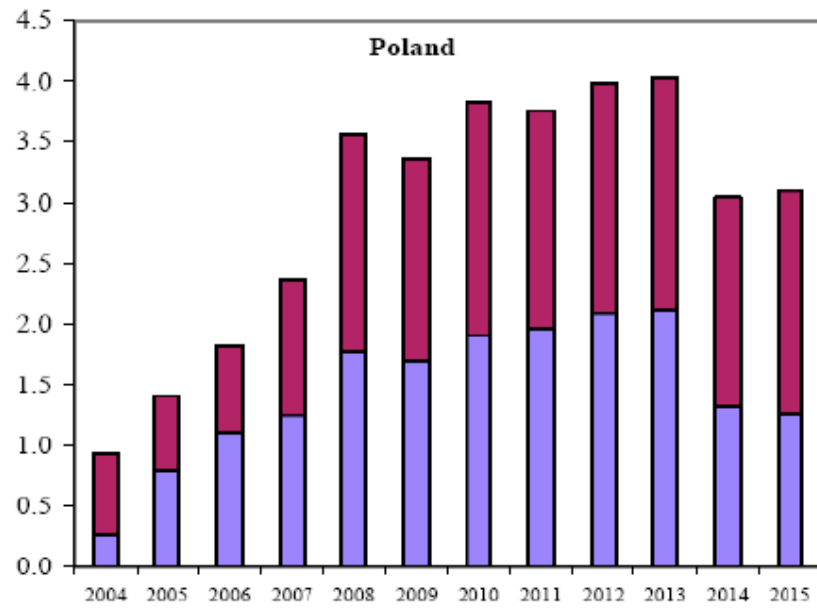
Share of intra and extra trade in total trade, 2009

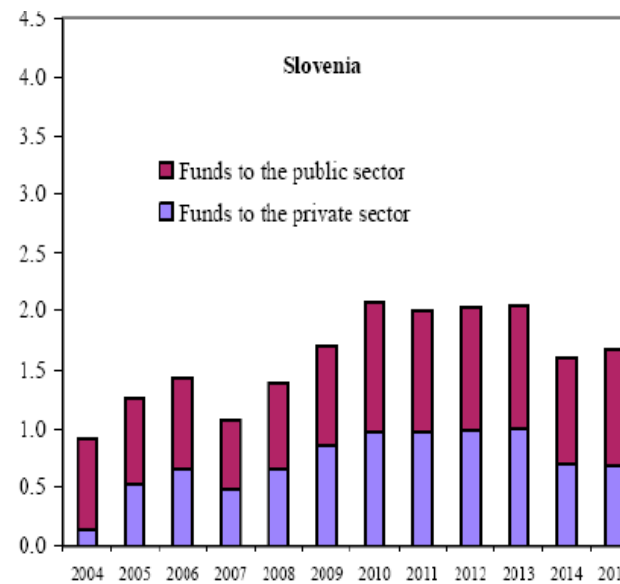
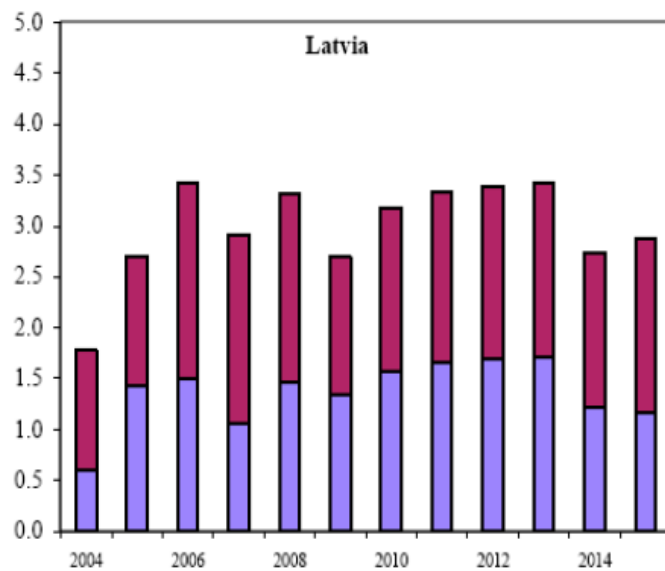
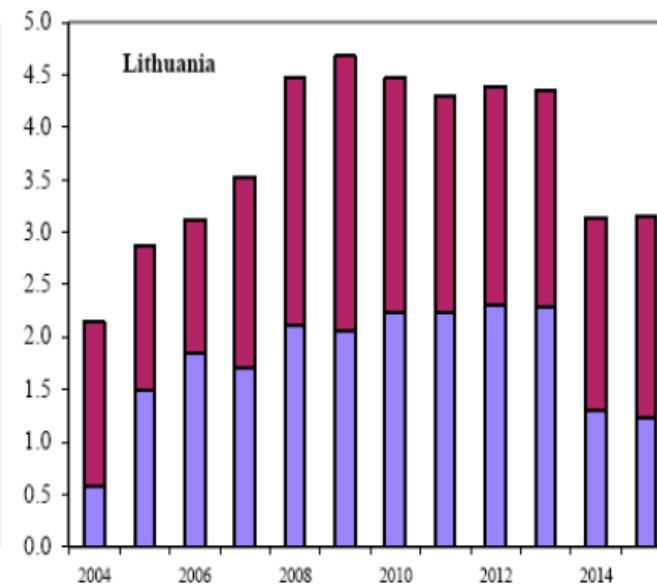
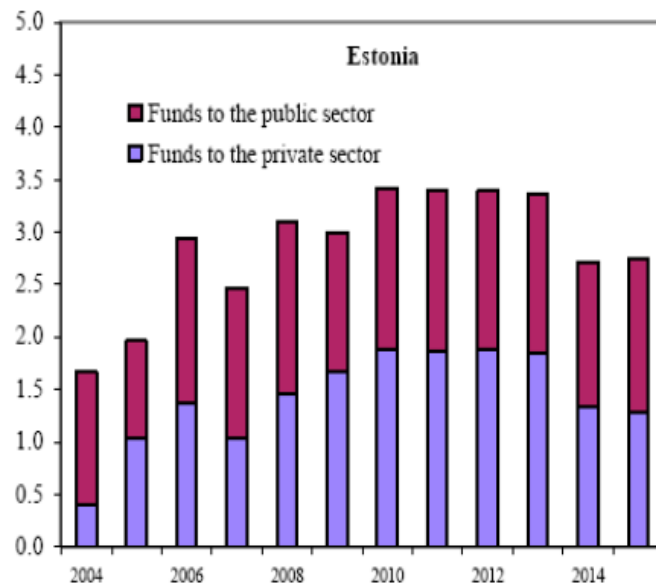




EU financial transfer









Impact of the Financial Crisis: Channels of transmission

- Impact to the EU market - CEE export decline
- Global recession - Credit booms collapse
- GDP decline - lack of co-finance for EU transfer
- Domestic consumption decline



Exception: Poland

- Big domestic market
- Migration coming back - new impetus for domestic consumption
- Strong financial supervision - less credit boom
- Only country with GDP growth
- European Cup effect



Limits of CEE catching-up model

- Overdependency to EU internal market
- Domestic market size matters
- Lack of strong financial supervision



Promoting CEE catching-up model for the EU neighbouring countries?

- Promoting the conditionality
- Monitoring the accession criteria
- Financial assistance through aid
- Crucial question: Financial ability



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