

**PROBLEMS AND PROSPECTS OF ECONOMIC INTEGRATION  
IN THE CEE REGION**

The article contains an attempt to measure the similarity degree of different CEE countries in the development level of their social and economic potential on the basis of mathematical cluster analysis.

The research has been carried out on the basis of 15 transition economies of CEE region.

In order to identify the similarity of their countries socio-economic potential, the mathematical cluster analysis has been performed with the help of Statistical Analysis module: Cluster Analysis of software package STATISTICA. The indicators used as variables include subindexes of The Bertelsmann Stiftung's Transformation Index, the EBRD index of economic reform, The Global Competitiveness Index, Index of Economic Freedom, Ease of Doing Business Index, The Democracy Index, The Human Development Index (HDI) and some other socio-economic indicators.

With the help of the hierarchical clustering and k-means method we have identified the following six groups of countries: 1) Estonia, Latvia, and Lithuania; 2) Poland, Hungary, and Croatia; 3) Russia and Ukraine; 4) Bulgaria, Romania, and Serbia; 5) Slovakia, Slovenia, and Czech Republic; 6) Byelorussia.

The following conclusions can be drawn from the present study:

– The analysis shows that the existing of the historically conditioned economic ties and geographical proximity are important prerequisites for regional integration;

– another interesting finding was that some groups of countries in the CEE region are separated from each other in terms of the institutional environment rather than in terms of economic indicators gaps;

– Russia appears to be the most similar to Ukraine country in terms of economic and institutional systems.

Further research will be aimed at the analysis of the dynamics of socio-economic indicators and the CEE countries' institutional system trajectory.