Trade Policy Issues in the Transition Economies

by

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Plan of the talk

- Transition issues for trade among the CMEA countries
- Transition issues for trade with market economies
- Customs unions in the CIS
- The importance of WTO accession and modeling issues
- Is the transition over?--institutional reform issues

Bifurcated Trade

- During the Soviet period, trade was bifurcated
- Roughly based on market principles with the West
- Centralized control in the communist countries
- Biggest adjustment costs were for trade among the formerly communist countries

Collapse of the CMEA.

- Council for Mutual Economic Assistance
- CMEA was composed of the Soviet Union, Bulgaria, Poland, Hungary, Czechoslovakia, Romania, East Germany, Albania, Cuba, Mongolia and Vietnam.
- Tarr (1991), *The Demise of the CMEA*
- Tarr (1992), *Communist Economies and Economic Transformation*

Intergovernmental Protocols

- Essential feature of the CMEA
- Network of annually negotiated bilateral agreements obligating the signing governments to export and import to each other specified quantities of lists of goods.
- Prices of goods were denominated and negotiated in Transferable Rubles (TR) and were supposed to be bilaterally balanced.

State Orders

- Enterprises received **state orders** to deliver products for export and received credits in their bank accounts for delivery from their own government.
- Customer was their own government

Poor Quality Machinery

- Difficult to negotiate price adjustments based on quality in the bilateral agreements
- little incentive to innovate and produce a better quality product.
- For raw materials, quality was not a significant issue
- For machinery products, product quality was dramatically inferior as a rule to Western products.

Soft Goods

- Hard goods could be sold in the west—largely raw materials.
- Soft goods (due to quality problems) could not be sold in the west or only with considerable difficulty and discounts—most machinery and equipment products.

CMEA collapsed on January 1, 1991

Two main problems in the collapse of the CMEA

- Terms of trade shift.
- problem with soft good sales in the CMEA countries

Terms of Trade Loss

- The Soviet Union was selling energy and raw materials (hard goods) and importing machinery and equipment at terms of trade unfavorable to the Soviet Union
- Estimated terms of trade loss by country
- Hungary $1.5-$1.9 billion per year
- Oblath and Tarr (1992), *Journal of Comparative Economics*
- CMEA 6 $15.6 billion
- Marrese and Wittenburg (1990)
- Could have been half the value of CMEA 6 exports to the CMEA)

Reorientation of Trade

- Collins and Rodrik (1991) and Havrylyshyn and Pritchett (1991) estimated gravity models showing greater integration with Western Europe was dictated by normal trading conditions.
- Overall trade was about right.
- By 2003, trade was reoriented (Broadman)

Soft Goods Industry Problems

- Would soft goods industries survive?
- The decline of the Soviet Union in 1991 and the many problems associated with selling there (lack of market based institutions to facilitate market based trade), accelerated efforts to switch sales to Western Europe.
- The machinery and equipment sectors had a very difficult adjustment period, more severe than anticipated due to the collapse of the Soviet market.

Breakup of the Soviet Union

- 15 countries created out of the former Soviet Union in August, September 1991.
- Internal exchanges under a command and control system became international trade for enterprises located in different republics of the former Soviet Union
- Location of economic activity not based on comparative advantage
- Highly linked economies, with specialized product standards (from GOSSTANDARD), that depended on each other.
- All the economies experienced a period of output decline, from one year (Estonia) to 8 years (Ukraine)

Key Problems in FSU Trade

- Terms of Trade
- Soft Goods again
- Payments Problems

Michalopoulos and Tarr (1992;1994)

Gaidar (2002) for political economy of payments problems

Soft Goods Again—Even Worse

- Energy and raw materials could more easily be marketed in the west
- Machinery and equipment could not meet the quality standards of the west
- due to Gosstandard, which limits flexibility, problems were and remain today worse than in Central Europe.

Terms of Trade

- Russia,, Kazakhstan, Turkmenistan (and Azerbaijan now but not in 1992) are large energy exporters.
- The others (except Uzbekistan) are large energy importers.
- The energy importers faced about 30-50% adverse TOT shift on intra-FSU trade

Tarr (1994) *Journal of Comparative Economics*

Payments Problems

- In 1992 and most of 1993, the 12 CIS countries remained in a common ruble zone (3 Baltic countries developed independent currencies sooner)
- **All central banks could create non-cash rubles, without coordination. Free-rider problem for central banks in the CIS.**
- **This led to the almost immediate introduction of massive export restraints within the CIS.**
- By 1994 (except for Tajikistan) independent currencies were created and commercial bank correspondent accounts began to develop to facilitate the trade.
- But barter remained dominant for some time.

State Trading

- A CMEA like network of intergovernmental barter agreements was created, with lists of goods traded under state obligation
- State orders eventually replaced by state procurement
- But these agreements were not very successful in reviving trade
- Price controls undermined them
- No agreement on how to settle imbalances
- Distortionary impact remained pervasive (e.g. Uzbekistan taxing agriculture for machinery subsidies

Western Trade

- Prior to the transition, western trade was highly regulated, sometimes with redundancy of trade controls, especially in the Soviet Union
- —tariffs played a minor role; often low tariffs
- foreign exchange controls, including licensing or surrender requirements.
- In Poland, surrender requirements led to a 5 to 1 ratio of the parallel to official exchange rate in 1989. (Tarr (1990) *World Bank Economic Review*.)

Hungary—Import Licensing

- Licensing of imports (this was the principal mechanism in Hungary)
- Quotas on imports
- Monopoly importing in the Soviet Union—designated trade companies for specific products through which exports and imports flowed
- Complicated and conflicting policy regimes in a market such as price controls, production subsidies and implicit import subsidies through allocated foreign exchange in the Polish butter market Tarr (1990) *Journal of Comparative Economics*

Hungary—Import Licensing

- Kamilya Lanyi paper in 1989—documented 126 required signatures to get an import permit in Hungary
- For about 15 percent of imports (key intermediate products) the licensing was removed in 1989
- importers reported an enormous difference
- Hungarian government—“licenses were for statistical monitoring purposes only”

Hungarian Import Licenses

- GATT—Accepted Hungary as a market economy under US pressure in 1973. No commitments to increase the value of imports as in the Polish and Romanian cases.
- Hungary agreed only to lower bound tariffs in its GATT accession agreement.
- Leah Haus (1992), *Globalizing the GATT*
- Hungarian trade economists who complained about the import licenses were told to shut up, since the international organizations (GATT, IMF, World Bank) accept that the licenses

Hungarian import licenses

- I negotiated the trade policy conditions in the two World Bank Structural Adjustment Loans for Hungary (SAL I and SAL II)—Negotiated in 1989-1991.
- Ultimately, at the end of SAL II, we got most licenses removed from most manufacturing, but not in agriculture and food processing.
- Morkre and Tarr *Weltwirtschaftliches Archiv* 1995 estimated gains from further license removal, but not influential prior to EU accession.

Myth of Low Protection in the FSU

- Some feared that low import tariffs would lead to excessive import competition from the west and exacerbate the transition
- In fact, little imports from the west in 1992, 1993
- Why---severely depreciated real value of the ruble 1992-1994.
- In the CIS, between January 1992 and June 1993, real wages at market exchange rates in CIS countries varied from $10 to $37 per month, depending on the country and the time.
- From July 1993 to June 1994, real wages remained less than $31 per month in the CIS countries, except for Russia, where they reached $94 per month.
- See Michalopoulos and Tarr, eds., (1994), *Trade in the New Independent States*.

Subsidized Imports

- Highly depreciated exchange rates made importing prohibitively expensive.
- In 1992 and early 1993, the Russian government highly subsidized imports. The import subsidies were estimated to be 17.5 percent of Russian GDP. Imports subsidies ranged from a high of 91 percent for food processing equipment to low of 61 percent for food products.
- World Bank (1993), *Russia: Joining the World Economy*, pp. 37-38.

Profitable exports

- Surrender requirements of foreign exchange were used in Russia to reduce the very strong incentive to sell on the export market. But exporting was very profitable, especially with under-invoicing and capital flight to reduce the tax of the surrender requirements.
- In part due to price controls, oil was sold in Russia for 1/1000th of its world market price in 1992.
- Consequently—export licenses and quotas were common.
- If you could get a license to export a train of Russian oil in 1992, you became rich overnight.

Rent Capture from Export Licenses

- Anders Aslund—the oligarchs were created from the enormous price disparities of the first couple of years of transition, when price controls remained and exchange rates were highly undervalued.
- Sergei Glaziev, Russian Minister of Trade in 1994 (and present and long-time chairman of the Economic Policy Committee of the Russian Duma (Parliament) stated: Line Ministries prefer export licenses as a means of regulating trade since it promotes rent extraction, and in the market economy they otherwise can't collect rents. (Line Ministries induce deliveries to favored domestic producers, thereby retaining influence over domestic enterprises.

Pace of Trade Reform Across the FSU Countries in the early years

- Michalopoulos and Tarr (1994, table 1.6)
- The Baltics adapted the fastest—especially Estonia which went to zero tariffs and had to increase protection to join the EU
- Kyrgyzstan adopted a 10 percent uniform tariff
- Uzbekistan, Turkmenistan and Belarus were very slow reformers and still have some first generation trade reforms to do in 2008.
- Georgia, Ukraine and Tajikistan were also slow reformers in the early years—
- Georgia 2003-2008 is a remarkable story of trade and institutional reform.
- In between in the early years are Russia, Moldova, Kazakhstan and Armenia.
- Update table with OTRI or TTRI

Customs Unions in the CIS

- The 12 non-Baltic countries formed a free trade area called the Commonwealth of Independent States, and also signed a large number of bilateral free trade agreements.
- With exceptions, trade among the CIS countries is primarily tariff free.
- Given the heavy linkages among the economies and the transitional unemployment, we supported free trade areas in the CIS as a means of reviving some of the trade in the CIS on a transitional basis. (Michalopoulos and Tarr, 1992)
- Russia, Kazakhstan, Belarus formed a customs union. In 1996 Kyrgyzstan joined. Later Tajikistan and Uzbekistan also joined, dubbed EUROSEC in 2000
-

Customs Unions in the CIS

- But the common external tariff (CET) was the Russian tariff.
- A country like Kyrgyzstan bore all the trade diversion costs, and was a clear loser from the CET. The CET was not incentive compatible.
- Michalopoulos and Tarr (1997)
- As a result, member countries only apply the CET on about 50-60 percent of the tariff lines.

Update to 2008

- In 2008, there is an effort to make this customs union a real one, at least among Russia, Kazakhstan and Belarus.
- Attempt to work first on trade facilitation and non-tariff barriers, which will help trade with third countries as well, so should be beneficial.
- Also, they recognize the need to have an incentive compatible CET, but this will be difficult to negotiate.

WTO Accession

- By the late 1990s, WTO accession became the overriding trade policy issue**.**
- **WTO Members since 1995**:

Estonia, Latvia, Lithuania, Kyrgyzstan, Armenia, Georgia, Ukraine, Moldova, Albania, Bulgaria, Croatia, FYR Macedonia.

- **Accession in Progress in 2008**:

Azerbaijan, Russia, Kazakhstan, Tajikistan, Belarus, Uzbekistan, Serbia, Montenegro, Bosnia and Herzegovina.

- **Not yet in Progress**: Turkmenistan

WTO accession-- extensive commitments

- GATS—services
- Rights of foreign investors in telecoms, banking, insurance, securities, transportation
- Rights of professionals to operate, e.g., lawyers, accountants, architects.
- Cross border rights of services providers

WTO commitments

- **Standards—SPS and TBT—Major area of commitment for the FSU countries who were based on the GOSSTANDARD system**
- **Customs—primarily valuation, but engenders trade facilitation**
- **Intellectual property**
- **Subsidies, state trading and state enterprises are constrained or eliminated**
- **Trade related investment measures (like local content requirements in Kazakhstan) have to be eliminated**

Russian commitments compared to accession countries

- **Overall Tariffs.** Russia bound MFN tariffs at about 8 percent on average, from about 12.1 percent on a simple average basis or 14 percent on a trade weighted basis in 2005.

  Shepotylo and Tarr (forthcoming), Eastern European Economics

- Bound tariffs of other Transition countries: Ukraine 5.1 percent; Macedonia, 6.2 percent; Armenia, 7.5 percent; Chinese Taipai, 4.8 percent; China, 9.1 percent; Moldova, 6.0 percent; Croatia, 5.5 percent; Albania, 6.6 percent; Georgia, 6.5 percent; Estonia, 7.3 percent; Latvia, 9.4 percent; Kyrgyz Republic, 6.7 percent.

Services Commitments

- **Russia has made commitments in** financial services (banking, insurance and securities), telecommunications, distribution services such as couriers and business services such as rights of a variety of professions, including lawyers, architects, accountants, engineers, health care professionals, advertising, marketing and management specialists.
- Unlike all other non-LDC acceding countries, Russia avoided a commitment on branch banking.
- All acceding countries to the WTO since 1998, have assumed a rather high and comprehensive level of commitments, in terms of sectors included. (WTO, 2005, table 5).

Agriculture Issues

- **Despite** significant commitments already, Sanitary and Phyto-Sanitary Measures (SPS) remain an issue
- the level of trade distorting subsidies remain as one of the most contentious in Russia’s WTO accession negotiations.
- Russia seeks a departure from precedent in allowing trade distorting subsidies

Comparable commitments

- **Conclusion: Russia has made substantial commitments at the WTO.**
- **But these are not more binding than the level of commitments made by other transition economies.**
- Tarr (2007) *Eurasian Geography and Economics*

General Equilibrium Modeling of the Transition and WTO Accession

- We resisted using CGE models in the early stage of Transition—too much state ownership.
- By 2000, many of the economies were sufficiently private to apply CGE models with profit maximizing theory of the firm.
- Ukraine and Russia declared market economies by the US and the EU several years ago.
- Governments of Russia, Kazakhstan and Ukraine requested a quantitative assessment of the impact of WTO accession

FDI in Services

- The discriminatory services regimes and the relatively unproblematical border controls on goods meant we had to develop and approach to deal with FDI in services
- Key to the approach is Dixit-Stiglitz endogenous productivity effects from liberalization of barriers against foreign investors in services
- Results show that despite the difficult aspects of services liberalization, this is the source of the bulk of the gains
- Gains are 10-20 times the estimated gains if we use a constant returns to scale model that ignores FDI in services.
- These models have had a very strong impact on the debate, especially in Russia. Regional political leaders in remote locations of Russia are repeating results as their own estimates.

Model Assessments of WTO

- Russia:

Jensen, Rutherford and Tarr (2007), *Review of Development Economics (overall and sector impacts)*

Rutherford and Tarr (2008), Journal of International Economics. (poverty and household impacts)

Rutherford and Tarr, 2006. (regional impacts)

Jensen, Rutherford and Tarr (2006), *Eastern European Economics* (focus on telecommunications)

- Kazakhstan WTO accession:

Jensen and Tarr (forthcoming), *Eastern European Economics*.

Ukraine WTO accession

Copenhagen Economics, Osteuropa Institut Munich and Institute of Economic Research and Policy Consulting, Kiev (2005), mimeo

Is the Transition Over?

- Yes and No—it depends on the country and the region
- For the first 8 central European countries that acceded to the EU (Estonia, Latvia, Lithuania, Poland, Hungary, Czech Republic, Slovakia and Slovenia) they are now well integrated in both trade as well as in many measures of behind the border integration.

Is the Transition Over?

- For the CIS countries, there are some: Uzbekistan, Belarus, Turkmenistan who still have first generation reforms to make (such as border trade reform, privatization, removal of price controls, foreign exchange liberalization)
- For other CIS countries, the behind the border institutions are significantly hindering their development, and their effective integration into the world trading community,
- In between, are the South Eastern European countries.

Crucial Links between Institutions, Trade and Growth

- Rodrik, Subramanian, and Trebbi (2002)--institutions matter more than trade for growth in the long run
- Dollar and Kraay (2002)--trade is more important than institutions for medium-term growth.
- Ades and Di Tella (1999) find there is some evidence that increased trade reduces corruption
- Bokaly and Freund (2004)-- High regulation economies can lose from trade liberalization, but low regulation economies gain more strongly from open trade.
- Djankov and Murrell (2002)-- productivity is enhanced by import competition in Eastern European countries, but is in general reduced by import competition in the former Soviet Union—where business regulations tend to be more burdensome.

Three Groups

- EU-8 First 8 Transition countries to accede to the EU
- Starting around 1995, stabilization and liberalization brought FDI and export led growth. (Production chains growing.)
- Growth, with considerable variation, has been faster than EU-15 since 1995.
- Now have EU trade policy and receive respectable scores on institutional development.

Three Groups

- CIS—many are good on border measures, but institutional development is very poor
- SEE-South Eastern Europe—in between the other two groups

Same Pattern among these countries across multiple indices

- Corruption indices
- Logistics indices
- Services reform
- Doing Business surveys
- Gosstandard system still characterizes most standards systems in the CIS

Georgia is an exception

- Georgia undertook major reforms in institutions since 2003—these include:
- Business licenses significantly reduced and “one-window system for new businesses
- nearly the entire police force fired and replaced with better-paid and trained officers. Several high officials prosecuted for corruption-related offenses
- Public registry reforms for registering property
- Business tax information available on-line
- Construction permits have been expedited
- http://www.usaid.gov/locations/europe_eurasia/mt/01-institutional_reform.html
- http://traveldocs.com/ge/economy.htm

Georgia

- Also lowering trade barriers and intends to go to full free trade in 2008
- But breakaway regions of Abkhazia and South Ossetia pose big problems—including problems with Russia
- Despite the Russian embargo since early 2006, Georgia is one of the fastest growing countries in the world—about 10% in 2006 and 12% in 2007

Transition remains on institutions in the CIS and SEE

- CIS countries have major work on “behind the border” reforms—both trade facilitating and general business environment facilitating.
- South East European countries also have institutional work to do, but not as much
- Georgia shows how to do it.

Table 1. Overall Trade Restrictiveness Index (OTRI) and Tariff Trade Restrictiveness Index (TTRI), by Country

EU - 8		SEE			CIS		
Country	**OTRI**	**Country**	**OTRI**	**TTRI**	**Country**	**OTRI**	**TTRI**
Czech Rep	4	Albania	8	7	Azerbaijan		5
Estonia	4	Bulgaria		5	Belarus	17	8
Hungary	4	Croatia		4	Kazakhstan	12	2
Latvia	4	Romania	19	14	Kyrgyzstan		4
Lithuania	4				Moldova	5	3
Poland	4				Russian Fed	19	7
Slovak Rep	4				Ukraine	19	4

Source: World Bank OTRI Indexes

Table 2. 2007 Corruption Perception Index by Country for Eastern Europe and Central Asia

SEE			EU - 8			CIS	
Country	Country Rank		Country	Country Rank		Country	Country Rank
Croatia	64		Slovenia	27		Georgia	79
Bulgaria	64		Estonia	28		Armenia	99
Romania	69		Hungary	39		Moldova	111
Serbia	79		Czech Rep	41		Ukraine	118
Bosnia	84		Slovakia	49		Russia	143
Montenegro	84		Latvia	51		Kazakhstan	150
Macedonia	84		Lithuania	51		Belarus	150
Albania	105		Poland	61		Tajikistan	150
						Azerbaijan	150
						Kyrgyzstan	150
						Turkmenistan	162
						Uzbekistan	175

Source: Transparency International

Table 3. Percentage of Interviewed Firms Indicating Corruption as a Major Obstacle

EU -8		SEE		CIS	
Slovenia	3	Macedonia	35	Ukraine	23
Poland	18	Serbia	26	Moldova	18
Hungary	9	Albania	32	Georgia	20
Czech Rep	20	Croatia	18	Armenia	20
Slovak Rep	11	Bosnia	25	Kazakhstan	13
Latvia	10	Romania	30	Azerbaijan	21
Lithuania	14	Bulgaria	19	Uzbekistan	9
Estonia	4			Russia	17
				Tajikistan	16
				Belarus	7
				Kyrgyz Rep	33

Source: BEEPS 2005 survey

Table 4. Trade in Parts and Components in the Region, 1996–2003

Country	Year	Total Exports of P&C ($ million)	Total Imports of P&C ($ million)	Share of P&C as % of manufactured exports	Share of P&C as % of manufactured imports
EU-8	1996	8,000	13,000	14	19
	2000	16,000	23,000	18	24
	2003	31,000	32,000	22	23
CIS	1996	2,000	6,000	6	13
	2000	2,000	5,000	6	14
	2003	2,000	11,000	6	15
SEE	1996	600	2,000	6	11
	2000	1,000	3,000	9	14
	2003	2,000	4,000	10	13

Source: Computations based on UN COMTRADE statistics as presented in "From Disintegration to Reintegration. Eastern Europe and the Former Soviet Union in International Trade"

Table 5. Logistics Performance Index, by Country for the most recent available year

EU - 8		SEE		CIS	
Country	Rank	Country	Rank	Country	Rank
Hungary	35	Romania	51	Ukraine	73
Slovenia	37	Bulgaria	55	Belarus	74
Czech Rep	38	Croatia	63	Russia	99
Poland	40	Bosnia	88	Kyrgyz Rep	103
Latvia	42	Macedonia	90	Moldova	106
Estonia	47	Serbia and Montenegro	115	Azerbaijan	111
Slovak Rep	50	Albania	139	Uzbekistan	129
Lithuania	58			Kazakhstan	133
				Albania	139
				Tajikistan	146

Sources: Connecting to Compete, Trade Logistics in the Global Economy, The Logistics Performance Index and Its Indicators, The World Bank

Table 6. Cost to Import a container (US dollars), by Country

EU-8		SEE		CIS	
Economy	Cost to import	Economy	Cost to import	Economy	Cost to import
Czech Rep	860	Albania	750	Armenia	1335
Estonia	675	Bulgaria	1377	Azerbaijan	2945
Hungary	975	Bosnia	985	Belarus	1672
Latvia	800	Croatia	1200	Georgia	1105
Lithuania	980	Macedonia	1130	Kazakhstan	2780
Poland	834	Montenegro	1780	Kyrgyz Rep	2450
Slovakia	1050	Romania	1075	Moldova	1545
Slovenia	1019	Serbia	1440	Russia	1050
				Tajikistan	4500
				Ukraine	1065
				Uzbekistan	1050

Source: IFC Doing business database, Doing Business 2008 Report

Table 7. Cost to Export a container (US dollars), by Country

EU-8		SEE		CIS	
Economy	Cost to export	Economy	Cost to export	Economy	Cost to export
Czech Rep	775	Albania	754	Armenia	1165
Estonia	675	Bulgaria	1329	Azerbaijan	2715
Hungary	975	Bosnia	1030	Belarus	1672
Latvia	800	Croatia	1200	Georgia	1105
Lithuania	820	Macedonia	1130	Kazakhstan	2730
Poland	834	Montenegro	1580	Kyrgyz Rep	2500
Slovakia	1015	Romania	1075	Moldova	1425
Slovenia	971	Serbia	1240	Russia	2050
				Tajikistan	3000
				Ukraine	1045
				Uzbekistan	2550

Source: IFC Doing business database, Doing Business 2008 report

Table 8. Ease of Doing Business by country, April 2006 to June 2007

EU-8		SEE		CIS	
Economy	Ease of Doing Business	Economy	Ease of Doing Business	Economy	Ease of Doing Business
Czech Rep	56	Albania	136	Armenia	39
Estonia	17	Bulgaria	46	Azerbaijan	96
Hungary	45	Bosnia	105	Belarus	110
Latvia	22	Croatia	97	Georgia	18
Lithuania	26	Macedonia	75	Kazakhstan	71
Poland	74	Montenegro	81	Kyrgyz Rep	94
Slovakia	32	Romania	48	Moldova	92
Slovenia	55	Serbia	86	Russia	106
				Tajikistan	153
				Ukraine	139
				Uzbekistan	138

Source: IFC Doing business database, Doing Business 2008 report

Table 9. Cost of Dealing with Licenses as a Percentage on per capita income, by country

EU-8		SEE		CIS	
Economy	Percentage	Economy	Percentage	Economy	Percentage
Czech Rep	19	Albania	461	Armenia	411
Estonia	28	Bulgaria	500	Azerbaijan	768
Hungary	18	Bosnia	790	Belarus	61
Latvia	28	Croatia	722	Georgia	29
Lithuania	133	Macedonia	109	Kazakhstan	2130
Poland	160	Montenegro	600	Kyrgyz Rep	555
Slovakia	15	Romania	124	Moldova	154
Slovenia	114	Serbia	2713	Russia	3788
				Tajikistan	1992
				Ukraine	669
				Uzbekistan	141

Source: IFC Doing business database, Doing Business 2008 Report

Table 10. Services Reform Index by Country in the Region

EU-8			SEE			CIS		
Country	**2000**	**2007**	**Country**	**2000**	**2007**	**Country**	**2000**	**2007**
Czech Rep	3.0	3.6	Albania	2.0	2.3	Armenia	2.3	2.5
Estonia	3.5	3.6	Bosnia	2.0	2.5	Azerbaijan	1.9	2.0
Hungary	3.8	3.9	Bulgaria	2.8	3.2	Belarus	1.4	1.6
Latvia	2.9	3.2	Croatia	2.7	3.2	Georgia	2.4	2.5
Lithuania	2.9	3.1	FYR Macedonia	2.1	2.6	Kazakhstan	2.3	2.8
Poland	3.5	3.6	Montenegro	1.4	2.1	Kyrgyz Rep	1.7	1.9
Slovak Rep	2.4	3.3	Romania	3.0	3.3	Moldova	2.3	2.4
Slovenia	3.0	3.0	Serbia	1.7	2.3	Russian Fed	2.1	2.8
						Tajikistan	1.0	1.5
						Turkmenistan	1.0	1.0
						Ukraine	2.1	2.5
						Uzbekistan	1.6	1.9

Sources: EBRD Transition Indicators Database

Websites for the data in the tables

Table 1. World Bank OTRI index
http://siteresources.worldbank.org/INTRES/Resources/OTRIindices.pdf

Table 2. Corruption Perception Index. Transparency International
http://www.transparency.org/policy_research/surveys_indices/cpi

Table 3. Percentage of Interviewed firms indicating corruption as an obstacle. World Bank, Business Environment and Enterprise Performance Survey,
http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTECAREGTOPANTCOR/0,,contentMDK:20720934~pagePK:34004173~piPK:34003707~theSitePK:704666,00.html

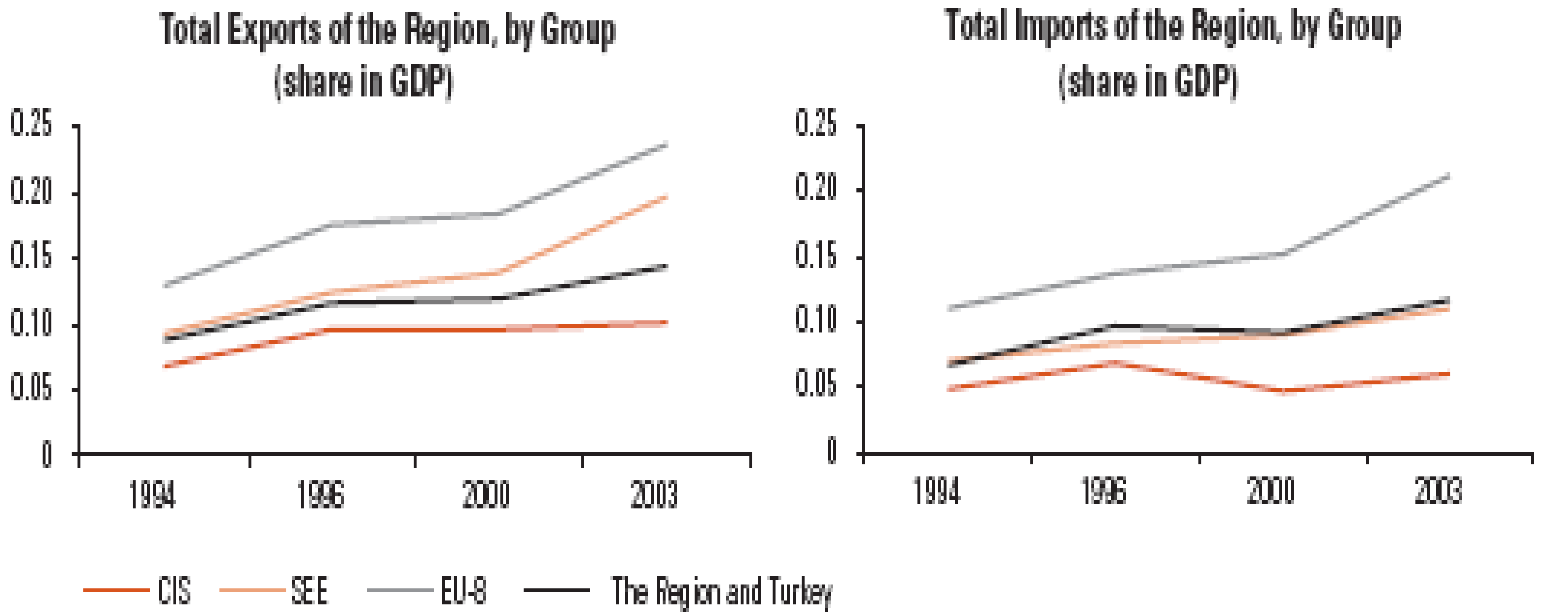
Table 5. Logistics Performance Index, The World Bank, Logistics Performance Index database,
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/EXTTLF/0,,contentMDK:21514122~menuPK:3875957~pagePK:210058~piPK:210062~theSitePK:515434,00.html

Tables 6, 7, 8, 9, The World Bank, Doing Business Database,
http://www.doingbusiness.org/

Table 10. Services Reform Index: The European Bank for Reconstruction and Development, Transition Indicators database
http://www.ebrd.com/country/sector/econo/stats/index.htm

FIGURE 2.1

The Region's Merchandise Exports and Imports as a Share of GDP, 1994–2003



Source: IMF DOT statistics.

Note: Gross domestic product (GDP) in purchasing power parity (PPP).

Selected References

Ades, A. and R. Di Tella (1999), "Rents, Competition, and Corruption" *American Economic Review*, 89, 4, 982-993.

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