# KATALIN BOTOS:THE AGE OF 'TRANSFORMATION' IN EAST-CENTRAL EUROPE

Summary

Changing of the regime happened at an unexpected pace. This resulted in the fact that even those - among them e.g. our country, too - who had had the reform of the system of the inner control at the agenda over decades were not quite ready yet. Privatization and liberalization were the greatest challenges. It is obvious that rapid privatization could be performed only by the appearance of foreign owners in the absence of domestic sources, i.e. savings. The countries had to spend the inflow of foreign exchange on the solution of the problems left behind by the former regime and not on the strengthening of the domestic private owners and the stimulation of economy, although this was expected and this is why the disillusionment became so deep in the first phase of the transition. The opposition getting into power was not trained in the technique of keeping the power since in most cases they came into their position from outside, i.e. 'the touch-line'. In Hungary the decisive problem was the enormous foreign exchange debt inherited which restricted the scope of activity of the first government definitely. However, the EU region needed the changing of the regime as a piece of bread. In the nineties EU obtained market, very favourable terms of trade and opportunities for privatization.

Transforming countries can be divided into three groups: where only the sign was repainted but despotism remained; where real reformers came into power, and finally, where unmatched liberalization was influenced by rent-seeking persons. Although they always referred to social problems, actually, the politicians and technocrats of the ancient regime who switched over to ventures quickly forged out advantages for themselves. Reforms went farthest in Central Europe and there the Polish and

Hungarians ranked first - as it was expected. In the field of achievements the Baltic Estonians and Hungarians are leading and, after an initial success, problems have appeared in Polish economy. According to the forecasting surveys, too, the two aforementioned countries as well as Slovenia and the Czech Republic seem to be competitive after the realization of the expected EU joining by the Lisbon criteria.

I

*Change rushed at us just like a hurricane*. (I. Table) Although over several decades Hungarian scientific and political life had deployed considerable forces which indicated the inevitability of political changes, rapidity was unexpected. First of all, it was surprising how simultaneously processes had started in all the one-time CMEA countries. And what was really shocking had been the rapid disintegration of the Soviet Union. The fact that the economic foundations of this military and political great power were so weak was unknown even by the West. Having studied the reports on Eastern Europe submitted to the US Congress we can see that there were clear signs of the serious malfunctioning of the system in the late seventies but its collapse in the forthcoming future was not predicted anywhere at all. [1] In the eighties the leading military power of the world was not inclined to intervene e.g. in the Polish domestic events, namely, when the military rule and emergeny measures were introduced, and it refrained from changing the status quo in any form.

The fact that thirty years before the idea of intervention had not been raised in the case of the Hungarian revolution in l956 owing to the atmosphere of the cold war and under the power relations of that time may be understandable. But in the eighties from the cracks of the system much more could be seen. However, in those days the socialist stronghold seemed to be unshaken. Direct political intervention would have been accompanied with high military hazards, therefore slow economic penetration into the region seemed to be much safer through the widening of foreign trade and credit relations. From inside what we, the dissenters and reformist members of the intelligentsia, could experience was only that criticism and 'constructive critique' might be much more far-reaching without serious existential consequences, e.g. imprisonment. (But, just as the author of this paper, one had to face the loss of job even in l987!) And it cannot be ignored either that the leaders of existing socialism in some countries, too, were ready to launch reforms to some extent. By all means, the political and economic change of the regime following the Polish events in some years' time was unexpected not only for us in the former socialist planned economies but by the West as well.

*But this came as a godsend for European partners.* It was just a deus ex machina for them to solve their multiplying problems.

Out of the three centres of the world two struggled with recession in the late eighties. [2][3] Europe would not have been able to cope with the USA if a new and a large market with favourable conditions had not emerged. Truly enough, this unexpected opportunity meant heavy burdens for the German economy owing to unification. This is why it was all the more important for Germany to establish beneficial relations with the other countries. But that could be realized without the EU accession of the countries in question, too. In commercial relations we were taken into account as a buyer's market - no doubt, mutually - and as far as Hungary is concerned, often with a fairly good balance! The further commercial opening up was of vital importance for Hungarian economy with a shortage of foreign exchange as well. Understandably, opportunities for privatization, too, were exploited by EU members. On Hungary's part it was again a pulling effect that the country was badly in need of capital inflow to cover the deficit of the balance of payments. The establishment of institutional relations was not urgent for the EU. Our application for membership in the early nineties was considered rather premature.

Since we should have liked to be a part of Europe not only informally but formally as well, finally, our country and some other ones were given the opportunity to submit the application for accession. (And the fact under what diplomatic and bureaucratic conditions this took place may be judged only by the direct personal impressions of the participants in the event. There were some who spoke about offensive and off-handish treatment and negligence. This foreshadowed the probability that we, the applicant countries from the Eastern part of Europe might be 'outsiders' even when inside?!...)

At that time only an enlargement with fewer members seemed to be feasible. As far as the closeness of economic relations are concerned, we were already 'fairly inside' by the late eighties: we had been integrated in the economies of the West-European countries. (II. Table) A significant proportion of the external trade of Central European countries was directed towards the EU at the end of the eighties. In the case of Hungary the socalled convertible trade approached 5o % and our leading partner was Germany. The share of EU continued to increase in a way that the terms of trade were in favour of EU definitely, i.e. what they had lost owing to the consecutive oil price explosions was recovered through the trade with the joinging countries. [4] In addition, there were opportunities for privatization in which the players of West-European economies took part with full interest. [5]

Of course, others, too, appeared in the market both with capital investments and the acquisition of markets but in foreign trade relations it was the EU member countries that dominated.

Who were able to accomodate to the new situation from inside the most rapidly? It was the former management. With an impressively quick recognition of the situation they understood that everything had to be changed in order that everything should remain unchanged...

While the members of the one-time élite seemed to have lost their power at the beginning of the political changes, they regained their strength soon. But the new democratic forces at the forefront of the East-European countries did not prove to be successful in the confirmation of their power. On the one hand, despite their theoretical expertise in reforms the former dissenters had no operative practice in the organization of economy. Almost without any exception they had been cast onto the periphery formerly and, at best, they had acquired theoretical knowledge in research institutions. Thus, e.g. the Czech Deputy-Minister of Finance, the political Under-secretary of the Hungarian Ministry of Finance, later the Minister responsible for the banking system and the Minister of External Trade as well as the President of the Bulgarian National Bank also came from academic or financial research institutes. Their theoretical qualifications were unquestionable but they were untrained in daily struggles for power and political conflicts.

On the other hand, it was difficult for the new governments to face the enchantments of  the illusions and  shadows of the past. After l990 citizens expected their fate to change for the better and they would not think of future that might result in a situation worse than the previous one. They thought that, parallel to political changes, the former circumstances owing to which they had not been able to reach the living standards of western democracies watched on the TV and experienced during their tourist trips - even if they had worked hard enough - would cease overnight.

Out of the determinations of the past a chronic shortage of capital, technology backwardness, the lack of the knowledge of modern technology and organization as well as a considerable foreign indebtedness in some of the countries were a heritage which could not be overcome easily by companies and enterpreneurs who found themselves under hard market conditions. But it was not easy for the government organizations responsible for economic policy either, and the fact that the circumstances turned to be hard market ones, as if by magic, at all fronts was guaranteed by the collapse of eastern markets. The foreign advisers who 'supported' governments and represented a considerably liberal market fundamentalism also urged a complete market competition. Owing to the disintegration of the CMEA the previous barter agreements ceased and producers had to redirect the goods which were saleable at all, to the western markets of fierce competition. And the governments facing indebtedness and badly in need of IMF assistance followed the 'instructions' of the IMF and the World Bank experts even if they did not like them in order that they should avoid international crash which would have led to the rapid fall of governments and the drastic decline of the living standard. By the way, the advisers coming with U.S. government aid and aid programmes from Brussels made similar proposals. They proposed liberalization, budget cuts, the cancellation of supports and introduction of international standards in the practice of state regulation. In Hungary, liberalization was also continued vehemently since there had been some modest initiations towards it before the change of the regime. First of all, striking the balance of the budget had to be implemented and, this joined with liberalization at some points.

Liberalization of 75 % of the prices meant a release from a considerable burden of price support, although further steps were inevitable and difficult. A new banking law, law of accountancy, law of bankruptcy and law of competition were formulated with a relative haste, although the unfavourable consequences, namely, failures, closing down of enterprises, unemployment, tax deficits and the constraint of bank consolidation also presented themselves.

Although there were international and domestic debates over how rapidly transition to market economy could be implemented, in the background of the theories of the supporters of slower transition and those of shock therapy - at least, in the arguments asserted - there were different approaches to the problems of welfare. Which is better: To adjust to market relations quickly or to assure time of transition to adjustment? Looking back to the period past and tracing the same and different characteristics in the transformation of the various countries, it seems to me that real causes were different. By our days, at a price of significant recession though, transformation has come off: After the disintegration of the Soviet Union and Yugoslavia capitalism is being built in 25 states ...

Indeed, this sentence says much only to the elder generation who lived in the fifties and sixties when every day we could read about what a progress the building of socialism had made. Whether the masses who voted for political changes wanted capitalism is highly questionable. Rather, they knew what they did not want, i.e. the system which was called socialism formerly. However, it is certain that a reorganization of the institutional system, companies, product and capital structures similar to 'wild capitalism' (i.e. classical capitalism) took place. Why and at what price did all this happen? And what are the results? Now let's have a closer look at it!

II

For reformers the possibility given by the coming round of the decade of the nineties meant a return to the 'normal social system' after a long detour. The slogan was: 'Back to Europe!' Let's restore the rule of law and order which, practically, was non-existent during the former regime and from the vertically controlled economy let's switch over to the horizontal organization of economy based on market signals.

Since the basis of market is private property, one of the most important tasks was **privatizaion**. But how could it be done? Should private properties be restored to their original owners? Should properties be distributed among all the citizens in compliance with a certain principle (voucher privatization)? Should state property be sold for cash? If so, where will people get money for it? Should we sell it to those - i.e. to foreigners - who have capital? (III. Table)

It is obvious the region was unprepared for the implementation of the task. There were some reform ideas formulated before according to which workers' self-government as a quasi owner should manage companies or, at least, workers should have a stronger voice in the company management, or they should be made interested in the successof the enterprise. In Hungary the latter was one of the objectives of the l968 reform of economic mechanism even if in a modest way. In addition, the following fantastic proposal (propagated by Tibor Liska) was discussed: property is every citizen's legal due and he may claim it only if he is a good manager of it, otherwise it may go under hammer and he will lose it. But the idea to restore the states of ownership which had existed several decades - nearly half a century - before was not discussed even by the most daring reformers either before the change of the regime. No doubt, with privatizaion the time of the redistribution of economic power came about. By 'normal states' a society based on the sanctity of private property is meant. He who has acquired ownership will obtain power. First, he will have only economic power, then the latter may be converted into political one,too. Practically, this is also the case in the bourgeois societies since even in the constitutional democracies based on a multi-party system the various groups of society are separated from each other not only by values but by interests as well.

As far as the Hungarian situation is concerned, macroeconomic data revealed that net savings in society were minimal, [6] i.e. there was no free capital for purchases through privatization. Otherwise, sale for cash would have meant - if there had been domestic capital for it - that state property would change only its form, i.e. productive capital would turn into money capital that could be used to stimulate economy by the state or to reduce its debts.

And there was the key problem in the case of Hungarian transformation. The bulk of Hungarian state debt was in foreign exchange; now the National Bank of Hungary (NBH) was 'the state'. This institution was able to pay its debts only through foreign exchange acquisition so NBS preference was, willy-nilly, a sale to foreign owners. The situation was like that even if the importance of keeping properties in Hungarian hands was emphasized by the existing political coalitions, moreover, some political forces urged reprivatization permanently.

The change of ownership itself - if the majority of the firms to be privatized for Ft had been transferred from a domestic state owner to a domestic private owner - would not have been enough to the operation of the privatized sector. The quality of the existing real capital would have been an obstacle to modern production. Even if the state had had capital in Hungarian currency - let'say, out of the privatization incomes of state companies - to finance a programme for the stimulation of economy, the problem of the shortage of foreign exchange would have been raised again because to modernization and up-to-date production imports surplus is/was needed permanently. By all means, this would have been a further pressure on the balance of payments and would have resulted in indebtedness in foreign exchange again. At best, it would not have been the state that made the debts. (Incidentally, it was like this in Hungarian practice since the state's foreign exchange debts decreased but the foreign debts of the companies - frequently, in the form of loans from the parent companies increased considerably.)

Over Hungarian transformation during the successive governments - mainly during the period of the socioliberal coalition - practically, privatization resulted in a significant (V. Table) growth of the proportion of foreign ownership. To this respect our country hardly differs from the other transforming countries 'which are building capitalism'. In these states, too, a significant penetration of foreign ownership can be experienced.

The socialist nationalization which deprived the individuals of their properties and proprietary rights without any compensation (and was unable to operate them efficiently) was accomplished now. Citizens lost their properties once for all, even the indirect ones that were owned by the state. Perhaps, new owners continue to invest here but it is highly probable that, unlike domestic capitalists, they will not do that. In this case - since foreign acquisition of property is one-sided and the outflow of domestic investments to other countries is much less - the repatriation of the profits of the capital operating in Hungary may be assumed, just like it happened during the previous economic 'conquests'. Truly enough, this occurs in a different legal context, namely, not in the colonial absence of rights but as a consequence of the inequality of chances of the freedom offered by liberalism.

To avoid any misunderstandings, it should be claimed that we do not oppose the inflow of capital but it should be pointed out that the state was unable to use the privtization incomes of the property confiscated from its citizens before for the welfare of the community, i.e. it was unable to spend the money from the privatization after l990 on the development of community assets as well as on the stimulation and support of ventures. No sensible economist wants to restore the power of state ownership the list of the disadvantages of which may be enumerated for long but it is very distressing that practically, the population will not get anything, e.g. a more advanced infrastructure, common goods, better health care and education for the property confiscated. From the privatization funds the community will never receive anything because this sum will be spent on filling in the gaps which have originated from the operation of the former system. The only advantage is that, (perhaps) there will not be any damages done (due to the lack of owners) in the future.

Another cardinal question of the economic change of the regime is liberalization. Disregarding some of the one-time Soviet republics (Belorussia, Turkmenistan, Azerbajdzan or Tadzhikistan) where there has been hardly any privatization yet, only the symbols of the communist rule have been removed, the other economies performed reforms, without any doubt, some of them many, the others only few. What has motivated these processes? According to outstanding experts [7] it was the conscious rent-seeking. They claim that in many transforming countries the managers and leading officials of the former area but new enterpreneurs as well made use of the transformation itself to acquire rent-like incomes.

The best method of that was ambiguous regulation which made possible price arbitrage. (In Hungarian relation the socalled 'oil bleaching' (oil falsification) is worth mentioning.) Therefore, the players are interested in a mix of total freedom and the strictest regulation. Frequently, they always refer to welfare reasons but they bother about welfare not at all. A clear example of this was shown by Ukraine in the mid-90s. A semi-privatized, a semi-liberalized and a semi-free country emerged from the one-time Soviet successor state. Bulgaria and Romania were in a similar situation till the l997 financial crisis. At the beginning, Russia launched reforms but soon it became influenced by rent-seekers. Still, it can be experienced that the countries taking just half-steps ahead have made a better progress than those where despotic rules have been maintained after the repainting of the name-board, similarly to some Central Asian countries.

There are some specialists who claim that transforming countries followed the same political pattern. Difference was only in various preceding events and preconditions and this led to various outcomes. [8] Indeed, many kinds of mixed policy led to the present state but it is unquestionable that those who had been devoted to reforms earlier and implemented them the most consistently showed the best results. [9] Although it should be noted that there have been some critical remarks on comparative studies based on GDP statistics, namely: There is no point in drawing far-reaching conclusions from growth data which are compared to a given time [1o] not only because statistical data themselves are not perfect but because there are several factors in the background which aggravate cmparisons; e.g. one of them is the grey economy ( IV. Table) neglected which blurred the effect of dramatic declines [11] and another one is the fact that individual economies were at different phases of booming at the change of the regime. Naturally, the latter is charateristic, primarily, of the

Central European countries several of which experimented with the introduction of market elements in economic control during the socialist era. E.g. Hungary was at top speed due to the impact of the growth stimulating measures of a former party congress the year before the elections while Poland touched bottom. [12] The postwar boom exerted a great influence on the development of Croatia. However, a decade's time is not enough to make far-reaching comparisons. Two or three years' dynamic development may be as much the forerunner of depression as the organic outcome of a cardinal economic adjustment carried out earlier. But it can be stated that the achievements of the reformers at the forefront are better than those of the other countries in their group.

Here it is worth mentioning that economic facts often made even the prominent experts of the international economic community alter and refine their opinions. Thus, the complete turnaround of J. Stiglitz, the leading economist of the World Bank is an example of that. Shocked by the impacts of the Russian financial crisis Stiglitz called radical reforms a 'Blitzkrieg' which disintegrated the former institutional system but did not assure - as it could not do so - its quick replacement properly. The too rapid privatization caused more damages than benefits and it would have been better to maintain state ownership in several segments of the economy [13]. Ashlund challenges this opinion fiercely saying that for the situation the failure of the support of international financial institutions and 'the absence of external financial assistance' can be blamed. ([l4], p.l06.)

III

Having accepted the position that statistics often distorts; that the neglected features of the grey economy exert an influence on comparisons; that lo-l2 years are not enough for investigating things from a historic perspective, moreover, the experts who make assessments from inside are biased owing to the closeness of time, let's quote the results of some surveys! When we do this, we follow József Eötvös's instructions who said he loved statistics because the makers of confused theories would be forced to arrange their stock of arguments somehow...

In general, about the starting point it can be said that the state of macroeconomic equilibrium in the one-time Soviet countries were much more unfavourable than in Central Europe. Czechoslovakia started with the most favourable macroeconomic indicators and Hungary, too, was in a comparatively good position by international comparative studies. Bulgaria, Croatia, Hungary and Poland inherited considerable amount of foreign debts, with the others this factor was insignifiant. The one-time Soviet debts were inherited by the Russian Republic after the disintegration but their proportion was not too high. [15] It should be noted that these statements cannot be left without comments because the <u>per capita</u> Hungarian debts in foreign exchange and the amount of foreign exchange reserves were, by all means, alarming. But the macroeconomic situation were considered 'relatively good' by international experts.

It was studied what role the initial conditions played in further development. Seven indicators were taken into account in the analysis: the share of agriculture in GDP, supplies of natural resources, years under communist rule, the ratio of secondary school students, commercial dependency, the degree of overindustrialization, the respective country's distance from Düsseldorf considered to be the centre of Europe.

Two factors seemed to be the most important ones: the ratio of the secondary school students and the years under the communist rule. Those two factors were responsible for over the 5o % of the ability for growth what is not very surprising. The years under the communist rule influenced the drawing-away from the market relations of economy and the role of qualified manpower in modern production is of basic importance. It is not surprising either that taking any analysis as a basis, [l6], [l7], [l8], the Hungarian, Polish and Estonian economies are always on the top and, generally, the Czech and Slovenian economies belong to the group in the forefront. Ashlund summarized the success of the transformation process in a table in which he investigated the accomplishment of the structural reforms, the control of inflation, the implementation of privatization, the ability for growth, the democratic administration and the corruption reduced. It can be seen Hungary and Estonia are heading the list; they have received maximum scores in all the fields under study. (VI. Table)

If our attention is directed not to the past but the future, the survey on the would-be EU member countries' competitiveness made by v. Hagen et al. last autumn (2002) for the World Economic Forum is worth mentioning. (VII. Table)

This survey starts from the fact that 'we are shooting at a moving game.' EU itself is changing, at least, it wants to. The analysis took the supposition as a basis that the Lisbon meeting set itself the following targets: EU would be the most competitive and dynamic science-based economy with more and better jobs and greater social cohesion by 2010. The report to the Forum analysed where the EU member countries stood with respect to meeting their objectives set and where the would-be member countries were. The basis of this analysis was Global Competitiveness Report of the World Economic Forum. The leading businessmen's responses to the questionnaire ranked respective countries on a scale ranging from 0 to 7. Taken their average it was determined what the joining countries had achieved with respect to the Lisbon targets. Growth potential, resear/development, the degree of liberalization, the modernity of the support systems, burdens and obstacles of enterpreneurs, the advancement of financial intermediaries, social cohesion and sustainable development and standpoints of ecology all were 'scored'. If we study the table, it can be seen that the average of the East-Central European countries are below that of EU in every field but it is above the most ill-performing EU member countries in several respects. The best performing Central-Europeans just like the Estonians, Hungarians, Slovenians and the Czechs are above the EU laggards in almost every field, moreover, they reach the EU average at some points. From this the conclusion can be drawn that competitiveness after joining the EU is expected not to be the worst in these countries. However, according to the survey it is not comforting at all that Poland will lag behind even the worst-performing EU countries in every respect and forms a group with Romania and Bulgaria which have not been included in the countries joining in the first round. Poland is the biggest among the states that intend to join EU for the time being.

The picture may alter from day to day, as compared to the situation in 2002. First of all, it is alarming that the signs of a general recession present themselves in the European economic region since the most important external markets of Hungarian economy are in question. The disagreement in foreign policy and the expectable impact of the war conflict are none the less thought-provoking. It is not encouraging either that instead of an overbureaucratized CMEA, we shall be the members of an international organization burdened heavily by bureaucracy, too. It is to be feared as well that stricter rules will shake the state of several small ventures and, thus, social tension will increase. What has been solved by the society on the verge of 'the grey economy' will turn out to be unsoluble at all. Let's say, tax payments to the state have not been too high so far but from now on the enterpreneurs will queue in front of the pay-office. In a booming world economy these problems would be handled with less difficulty. However, the world economy is not under our influence. What can be done at best is that we are going to make a virtue of necessity: While organizing our regions along the principles of sustainable development, we shall make attractive our relative backwardness. Whether there are enough governmental wisdom and individual initiatives to do so in our society is an open question yet.

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Tables:



Sources: I-VI. Tables: Aschlund, 2002.
VII. Table: von Hagen

**GDP at Constant Prices**
(Annual percentage change)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 (prel.) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Poland | -11.6 | -7.0 | 2.6 | 3.8 | 5.2 | 7.0 | 6.1 | 6.9 | 4.8 | 4.1 | 4.1 |
| Czeh Republic | -1.2 | -11.6 | -0.5 | 0.1 | 2.2 | 5.9 | 4.8 | -1.0 | -2.2 | -0.2 | 3.1 |
| Slovakia | -2.5 | -14.6 | -6.5 | -3.7 | 4.9 | 6.7 | 6.2 | 6.2 | 4.1 | 1.9 | 2.2 |
| Hungary | -3.5 | -11.9 | -3.1 | -0.6 | 2.9 | 1.5 | 1.3 | 4.6 | 4.9 | 4.5 | 5.2 |
| Romania | -5.6 | -12.9 | -8.8 | 1.5 | 3.9 | 7.1 | 3.9 | -6.1 | -5.4 | -3.2 | 1.6 |
| Bulgaria | -9.1 | -11.7 | -7.3 | -1.5 | 1.8 | 2.1 | -10,9 | -6.9 | 3.5 | 2.4 | 5.0 |
| Estonia | -6.5 | -13.6 | -14.2 | -9.0 | -2.0 | 4.3 | 3.9 | 10.6 | 4.7 | -1.1 | 6.4 |
| Latvia | 2.9 | -10.4 | -34.9 | -14.9 | 0.6 | -0.8 | 3.3 | 8.6 | 3.9 | 0.1 | 6.6 |
| Lithuania | -5.0 | -5.7 | -21.3 | -16.2 | -9.8 | 3.3 | 4.7 | 7.3 | 5.1 | -4.2 | 2.9 |

**Share of Total Trade With Nontransition Countries, 1991-1999**
(Percentage of total trade)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|
| Poland | 83,2 | 84,4 | 87,7 | 86,3 | 82,3 | 79,3 | 75,5 | 77,4 | 79,3 |
| Czeh Republic | -- | -- | -- | 68,6 | 68,1 | 71,3 | 72,1 | 74,3 | 73,9 |
| Slovakia | -- | -- | 39,5 | 44,9 | 45,6 | 49,4 | 54,2 | 62,0 | 62,0 |
| Hungary | 82,3 | 80,6 | 78,2 | 79,1 | 77,7 | 77,0 | 81,2 | 84,3 | 87,9 |
| Romania | 65,8 | 74,8 | 84,4 | 86,2 | 88,8 | 88,9 | 86,5 | 88,0 | 89,5 |
| Bulgaria | 80,0 | 85,1 | 84,2 | 76,1 | 65,4 | 66,2 | 72,0 | 76,9 | 80,4 |
| Estonia | -- | -- | 54,8 | 54,5 | 61,6 | 59,5 | 73,1 | 64,3 | 76,3 |
| Latvia | -- | 46,8 | 43,6 | 46,4 | 49,5 | 50,0 | 56,7 | 66,4 | -- |
| Lithuania | -- | -- | 75,0 | 35,0 | 43,0 | 38,8 | 54,6 | 46,6 | 50,9 |

**Source: EBRD,2000**

**Methods of Privatization of Medium-Sized and Large Enterprises**

| | Sale to Owners Outside | Voucher Privatization **(Equal Access)** | Voucher Privatization **(Significant Consession to Insiders)** | Management-Employee Buyouts | Other |
|---|---|---|---|---|---|
| Poland | **Teritary** | **Secondary** | **--** | **Primary** | **--** |
| Czeh Republic | **Secondary** | **Primary** | **--** | **--** | **--** |
| Slovakia | **--** | **Secondary** | **--** | **Primary** | **--** |
| Hungary | **Primary** | **--** | **--** | **--** | **Secondary** |
| Romania | **Secondary** | **--** | **--** | **Primary** | **--** |
| Bulgaria | **Secondary** | **Primary** | **--** | **--** | **--** |
| Estonia | **Primary** | **--** | **--** | **Secondary** | **--** |
| Latvia | **Secondary** | **Primary** | **--** | **--** | **--** |
| Lithuania | **--** | **Primary** | **--** | **Secondary** | **--** |

**Underground Economy, 1989-1995**

| | Unoffical GDP as a Percentage of Total GDP | | | | | | | 1995 GDP Index (1989=100) | |
|---|---|---|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | Official | Total |
| **Poland** | 15,7 | 19,6 | 23,5 | 19,7 | 18,5 | 15,2 | 12,6 | 98,3 | 94,9 |
| **Czeh R.** | 6,0 | 6,7 | 12,9 | 16,9 | 16,9 | 17,6 | 11,3 | 84,3 | 89,3 |
| **Slovakia** | 6,0 | 7,7 | 15,1 | 17,6 | 16,2 | 14,6 | 5,8 | 83,1 | 82,9 |
| **Hungary** | 27,0 | 28,0 | 32,9 | 30,6 | 28,5 | 27,7 | 29,0 | 84,7 | 87,1 |
| **Romania** | 22,3 | 13,7 | 15,7 | 18,0 | 16,4 | 17,4 | 19,1 | 77,7 | 74,7 |
| **Bulgaria** | 22,8 | 25,1 | 23,9 | 25,0 | 29,9 | 29,1 | 36,2 | 73,7 | 89,2 |
| **Estonia** | 12,0 | 19,9 | 26,2 | 25,4 | 24,1 | 25,1 | 11,8 | 69,1 | 68,9 |
| **Latvia** | 12,0 | 12,8 | 19,0 | 34,3 | 31,0 | 34,2 | 35,3 | 47,3 | 62,3 |
| **Lithuania** | 12,0 | 11,3 | 21,8 | 39,2 | 31,7 | 28,7 | 21,6 | 45,1 | 50,6 |

**External Debt, 1991-1999**
**(Percentage of GDP)**

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|
| Poland | 61,5 | 56,4 | 54,9 | 47,1 | 38,0 | 35,2 | 36,0 | 36,2 | 38,3 |
| Czeh Republic | 26,4 | 23,8 | 24,3 | 26,0 | 31,8 | 36,0 | 40,6 | 43,1 | 42,3 |
| Slovakia | -- | 24,1 | 26,6 | 32,0 | 30,9 | 38,8 | 48,5 | 55,9 | 53,1 |
| Hungary | 67,8 | 58,1 | 63,7 | 68,7 | 70,4 | 61,1 | 51,9 | 56,9 | 59,9 |
| Romania | 7,4 | 16,5 | 16,1 | 18,3 | 24,1 | 29,5 | 30,1 | 24,0 | 27,1 |
| Bulgaria | 157,4 | 160,4 | 127,7 | 116,8 | 77,4 | 97,7 | 95,8 | 83,7 | 80,5 |
| Estonia | -- | -- | 18,2 | 23,4 | 22,1 | 31,8 | 55,3 | 55,6 | 56,0 |
| Latvia | -- | -- | -- | -- | 31,8 | 39,4 | 48,4 | 50,3 | 60,7 |
| Lithuania | -- | 3,1 | 12,2 | 12,4 | 22,8 | 26,4 | 32,8 | 33,3 | 40,8 |

The Success of Postcommunist Transformation, 1999

| | Structural reform | Inflation under Control | Privati-zation | Growth | Limited Corrupti-on | Democ-racy | Total Score |
|---|---|---|---|---|---|---|---|
| **Poland** | X | X | X | X | | X | 5 |
| **Czeh Republic** | X | X | X | | | X | 4 |
| **Slovakia** | X | X | X | X | | X | 5 |
| **Hungary** | X | X | X | X | X | X | 6 |
| **Romania** | X | | X | | | X | 3 |
| **Bulgaria** | X | X | X | | | X | 4 |
| **Estonia** | X | X | X | X | X | X | 6 |
| **Latvia** | X | X | X | | | X | 4 |
| **Lithuania** | X | X | X | X | | X | 5 |

Lisbon Scores

| | EU mean | Four worst EU countries mean | CEEC mean | BU | CZ | EE | HU | LAT | LIT | PO | RO | SLK | SLV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Information Society | 5.42 | -1.04 | -0.91 | -1.56 | -0.04 | 0.32 | -0.01 | -0.70 | -0.84 | -1.10 | -1.36 | -0.80 | -0.21 |
| Innovation, R&D | 5.07 | -1.57 | -1.27 | -1.88 | -0.57 | -0.79 | -0.71 | -1.18 | -1.25 | -1.21 | -1.87 | -1.06 | -0.63 |
| Liberalization | 4.78 | -0.77 | -1.27 | -1.59 | -0.77 | -0.66 | -0.55 | -1.17 | -1.03 | -1.27 | -1.92 | -1.16 | -0.46 |
| Completing the Single Market | 5.17 | -0.93 | -1.35 | -1.71 | -1.04 | -0.94 | -0.80 | -1.33 | -1.08 | -1.27 | -1.92 | -1.23 | -0.66 |
| States Aids | 4.39 | -0.60 | -1.19 | -1.46 | -0.50 | -0.34 | -0.30 | -0.81 | -0.99 | -1.26 | -1.92 | -1.08 | -0.27 |
| **Network Industries** | 5.70 | -1.37 | -1.35 | -1.89 | -0.38 | -0.38 | -0.73 | -1.13 | -1.21 | -1.46 | -1.92 | -1.10 | -0.52 |
| Telecommunication | 5.71 | -0.97 | -0.94 | -1.53 | -0.05 | 0.12 | -0.20 | -0.87 | -0.90 | -1.02 | -1.46 | -0.83 | -0.37 |
| Utilities, Transportation | 5.68 | -1.76 | -1.77 | -2.24 | -0.72 | -0.89 | -1.26 | -1.38 | -1.52 | -1.91 | -2.38 | -1.36 | -0.67 |
| **Financial Services** | 5.13 | -1.05 | -1.25 | -1.84 | -1.78 | -0.24 | -0.55 | -0.94 | -0.90 | -1.08 | -1.61 | -1.27 | -0.53 |
| Enterprise Environment | 3.80 | -1.37 | -0.76 | -1.46 | -0.94 | 0.28 | -0.30 | -0.53 | -0.64 | -0.77 | -1.44 | -1.01 | -0.28 |
| Conditions for Start-ups | 4.14 | -1.87 | -0.94 | -1.84 | -1.06 | 0.28 | -0.31 | -0.55 | -0.44 | -0.66 | -1.56 | -0.97 | -0.12 |
| Regulatory Burden | 3.46 | -0.87 | -0.58 | -1.09 | -0.83 | 0.28 | -0.28 | -0.51 | -0.84 | -0.88 | -1.32 | -1.06 | -0.44 |
| Social Inclusion | 4.85 | -0.91 | -1.04 | -1.73 | 0.36 | -0.36 | -0.53 | -1.49 | -1.27 | -1.27 | -1.47 | -0.32 | -0.05 |
| Life-long Learning | 5.16 | -1.21 | -0.75 | -1.43 | 0.02 | -0.30 | -0.20 | -0.97 | -0.96 | -0.85 | -1.03 | -0.35 | -0.41 |
| Modernizing Social Protection | 4.53 | -0.61 | -1.33 | -2.03 | 0.71 | -0.43 | -0.86 | -2.01 | -1.57 | -1.70 | -1.91 | -0.28 | 0.32 |
| Sustainable Development | 5.51 | -1.20 | -1.43 | -2.03 | -0.47 | -0.82 | -0.85 | -1.13 | -1.21 | -1.51 | -2.00 | -1.30 | -0.53 |
| Environment | 4.93 | -0.65 | -1.16 | -1.51 | -0.56 | -0.57 | -0.60 | -0.94 | -1.03 | -1.31 | -1.59 | -0.66 | -0.27 |
| Climate Change | 6.09 | -1.75 | -1.70 | -2.55 | -0.38 | -1.06 | -1.11 | -1.33 | -1.39 | -1.70 | -2.41 | -1.95 | -0.78 |