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Globalization and Growth in the CIS

Keith Crane and Zbyszko Tabernacki

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Keith Crane, Chief Operating Officer and Director of Research at PlanEcon, Inc., Washington D. C. E-mail: kcrane@rand.org.
Zbyszko Tabernacki, Managing Director of DRI-WEFA Emerging Europe. E-mail: zbyszko.tabernacki@dri-wefa.com

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Summary

The paper analyzes the extent to which the members of the Commonwealth of Independent States other than Russia have integrated into the global economy over the last decade, both in comparison to where they stood immediately after independence and in comparison to each other. The paper is divided into three sections. The first section attempts to quantify changes in economic integration. More specifically, the quantitative indicators of changes in flows of goods, services, people, and capital over the course of the last ten years in volume terms and in comparison to changes in aggregate output of goods and services are examined. The second section involves a comparison of policies pursued during this period that have affected international flows of goods, services, and factors of production. The primary focus of this section is on the exchange rate policies. The third section evaluates the relative success of various packages of policies in terms of fostering global integration.

In addition to evaluating overall changes in integration with the global economy, the changes in the level of integration of the CIS economies with each other are also evaluated. To the extent possible, the quantitative analysis in Section 1 is conducted for trade among the CIS countries and with the "Far Abroad", the non-CIS states.

1. Introduction

The purpose of this paper is to assess prospects for economic growth in the Commonwealth of Independent States (CIS) through closer integration into the global economy. The paper first briefly sizes the CIS economies. Subsequently, it assesses the extent of integration of the CIS countries into the global economy and how economic integration has developed over the course of the transition. The paper then analyzes the sources of growth in the CIS since the August 1998 financial crisis in Russia and the role international economic integration has played in stimulating this growth. The paper concludes with an evaluation of the prospects for economic growth in the region over the next several years and the role further integration of the CIS into the global economy will play in this process. Although the paper discusses Russia, it focuses heavily on the other CIS member states. The discussion of Russia is often in terms of Russia's economic importance to the other CIS members, rather than the economic performance of Russia itself.

2. The economies of the CIS states

The CIS is a regional economic and political organization set up in 1991 after the collapse of the former Soviet Union. Its membership consists of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The three Baltic states of Estonia, Latvia, and Lithuania chose not to become members, in part because these states wished to underline the illegitimacy of their annexation by the former Soviet Union. The institution is designed to further political and economic cooperation among member states.

In aggregate, the economic output of the CIS is quite respectable. In 2001, aggregate GDP ran 1,186bn 1995 U.S. dollars at purchasing power parity exchange rates, roughly similar to that of Italy (Table 1). However, at market exchange rates, output is much smaller, running just USD 413.2bn in 2001, roughly four-fifths the size of the economy of Brazil. The region is the world's largest producer of natural gas and the second largest source of crude oil. With an aggregate population of 281.3 million people, per capita income runs 4,205 1995 dollars at purchasing power parity exchange rates, placing the region in the ranks of the middle income developing countries. The region is not a wealthy one. Per capita incomes are far less than in the countries of Central Europe, let alone Western Europe, although on average they are similar to those in the Balkans.

By a number of measures, the CIS is a very disparate group. Russia is by far the largest member as measured by geographic size, population, and economic output. Russia

accounts for 65 per cent of aggregate CIS GDP at purchasing power parity exchange rates and 75 per cent at market exchange rates. Russia is also one of the richest members of the CIS, with a per capita GDP in 2001 of 5,353 1995 dollars at purchasing power parity exchange rates and USD 2,142 at market exchange rates, the highest in the CIS. In terms of population, Russia accounts for 51.3 per cent of the CIS total.

Ukraine is firmly in second place in the CIS in terms of the size of its economy and population. Its GDP accounts for 11.5 per cent of the CIS total at PPP exchange rates and 8.5 per cent at market exchange rates; its population represents 17.4 per cent of the whole. Ukraine is substantially poorer than Russia, with a per capita income of 2,791 1995 dollars at PPP exchange rates, 52 per cent of Russia's, and just USD 796 at market exchange rates, 37 per cent of Russia's.

Three other economies, those of Belarus, Kazakhstan, and Uzbekistan, also contribute appreciably to aggregate CIS GDP: 5.8, 4.1 and 5.6 per cent, respectively. Kazakhstan and, according to official figures, Belarus, are among the richer members of the group with per capita incomes in 1995 dollars at purchasing power parity exchange rates of 3,270 and 6,789, respectively. The very high figure for Belarusian per capita GDP is suspect because of the many statistical problems with Belarusian economic data. At market exchange rates, incomes are USD 1,411 in Kazakhstan and a more realistic USD 1,151 for Belarus. Uzbekistan is much poorer. At market exchange rates, per capita income in Uzbekistan was just USD 444 in 2001.

The remaining seven countries have very small economies and are generally much poorer than the larger countries. In aggregate, in 2001, their GDPs ran just 7.6 per cent of the CIS total and ranged between 6.4bn and 20.6bn 1995 dollars at purchasing power parity exchange rates and between just USD 1.2bn and USD 6.0bn at market exchange rates. Their populations vary between 3.8 million in Armenia and 7.8 million people in Azerbaijan. Per capita incomes are much lower than Russia's, running between 989 1995 dollars at purchasing power parity exchange rates in Tajikistan to 3,824 in Turkmenistan. Although many of these smaller states were the first to recover following their transition recessions, the depth of their economic declines was so steep in the early 1990s, that, at least according to official figures, none of these countries are near to achieving pre-independence levels of output. For example, Armenia, Azerbaijan and Kyrgyzstan reported growth rates in GDP ranging from 6.3 to 8.0 per cent in 2001 and have enjoyed fairly rapid growth since the mid-1990s, but GDP is still less than 75 per cent of pre-independence levels in all three countries.

In contrast, the larger, slow reforming or non-reforming countries of Belarus, Turkmenistan, and Uzbekistan claim that GDP is now at or nearing pre-independence levels.

3. The CIS economies and global integration

The CIS economies have undergone enormous ructions in trading relationships since independence. First, immediately preceding and following independence, the CIS states had to adjust to the collapse of trade with Central and Eastern Europe, especially members of the Council of Mutual Economic Assistance (CMEA). Prior to its dissolution, the Soviet Union traded very heavily with the CMEA countries. Although valuation of this trade is difficult because it was conducted through bilateral trade agreements and was priced in transferable rubles, an accounting unit, trade with the CMEA is estimated to have accounted for at least half of total Soviet trade in the late 1980s.[1] In contrast to exports to Western Europe, the Soviet Union's other major trading partner, which primarily consisted of raw materials and energy, Soviet exports to the CMEA included substantial exports of manufactured products, especially machinery. Once the members of the CMEA began to settle trade in convertible currencies at market prices, trade in machinery and manufactured goods collapsed. We estimate that valued in dollars, in aggregate, Soviet exports to formerly socialist countries fell from USD 41bn in 1985 to just USD 16bn in 1991. Soviet exports of machinery to formerly socialist countries fell from USD 6.3bn in 1986 to just USD 1.3bn in 1991.[2] Because all the members of the CIS had participated, at least indirectly, in this trade, its collapse had a very negative impact on their economies.

Second, and more important, the collapse of the former Soviet Union disrupted supply relationships among all of the CIS member states. The value of pre-independence intra-CIS trade is difficult to quantify because of the distorted prices employed under central planning. Rough estimates of these transactions between Russia and the other former Soviet republics for 1990 and 1991 are very large. We have roughly estimated the dollar value of Russian exports to the other republics in 1990 at USD 76.9bn and imports at USD 52.9bn.[3] In 1991, exports fell to an estimated USD 57.6bn and imports to USD 29.6bn. However, the dollar value of this trade is difficult to compute because it was valued in rubles, which were depreciating rapidly during this period, and because relative prices remained highly distorted

[1] *Trade and Finance Review for the Soviet Union*, PlanEcon, 1991.
[2] Ibid.
[3] *Trade and Finance Review for Russia*, PlanEcon, May 1995.

for a number of years after the CIS states began their move towards creating market economies.

After 1991, the CIS member states began to collect trade data. A number of countries only included trade settled in dollars in their figures, excluding barter arrangements and trade valued in rubles. Other countries, most notably Kazakhstan and Ukraine, continued to include in these figures at least some trade conducted on the basis of barter or trade agreements that stipulated deliveries in physical quantities. The use of barter was partially dictated by liquidity and payments problems, as initially enterprises had no foreign currency holdings. Most transactions were valued in rubles, but the very high rates of inflation during the period made transactions settled in rubles highly risky, leading to agreements that stipulated physical quantities. Barter also contributed to cash avoidance, as enterprises were free to value bartered goods as they saw fit for tax purposes.

Consequently, the aggregate figures for the CIS countries are not always readily comparable with each other or with our estimates of pre-independence trade flows. However, even these data show that intra-CIS trade fell in the first years after independence (Table 3). Total intra-CIS exports dropped from USD 36.5bn in 1992 to USD 30.3bn in 1994. Total intra-CIS imports dropped from USD 40.1bn in 1992 to USD 33.2bn in 1994. (Theoretically, exports and imports should net out to zero, but customs, insurance and freight, invoicing discrepancies, and statistical errors result in a substantial intra-CMEA trade deficit.) Even after inflation rates declined and exchange rates stabilized in the second half of the 1990s, intra-CMEA trade has failed to recover: intra-CMEA exports were lower in 2000 than they were in 1994.

The decline in intra-CIS trade in the 1990s stemmed from a number of factors. One, in many instances, the final product was not competitive. Soviet-era agricultural equipment, trucks, and many types of machinery no longer had markets, especially in the volumes that were manufactured under the centrally-planned system because buyers could purchase better quality used vehicles from West European markets and because traditional buyers no longer had the necessary funds as the state no longer had the wherewithal to channel investment funds to the factories and state and collective farms that had been the main purchasers of these products. The inability of CIS enterprises to find buyers for these products forced a reduction in output and a concomitant fall in demand for imported inputs.

Two, enterprises that managed to find markets for their products began to develop alternative sources of component supplies. Initially these enterprises, especially those that assembled more complicated products such as machinery, stuck to their traditional supply

networks. However, after the collapse of the ruble zone in 1992–3, these enterprises could no longer easily make payments to each other. More importantly, after the demise of the centrally dictated price system and as enterprises were forced to survive on their own without benefit of government subsidies, enterprises began to concentrate on generating positive cash flows. At that point in time, purchasers evaluated whether it would be cheaper to purchase from alternative suppliers or produce components internally. As many had substantial surpluses of labor and unused capacity, many chose to produce internally. In addition, higher transport costs have rendered a number of CIS suppliers uncompetitive. By design and happenstance, supply relationships in many industries in the former Soviet Union were very dispersed. In the Soviet era, plants were often sited for political reasons: to provide employment in less developed regions, to please an important Communist Party functionary, or at the behest of the military so as to keep important plants far from the Soviet Union's borders. Once the old, centrally-dictated supply relationships began to fall apart and providers of transport services such as trucking companies and railroads had to recover more of their costs, enterprises no longer had an incentive to bear the high transportation and logistics costs of such a dispersed supply network. Consequently, inter-CIS trade fell.

Some intra-CIS trade survived initially because enterprises were able to offload costs on other economic participants. Manufacturing plants were able to slash their variable costs in the early years of the transition. They stopped paying taxes, wages, utilities, and often failed to pay their suppliers or engage in routine maintenance. However, over time, workers sought alternative means of making a living, suppliers would no longer ship, and delayed maintenance and the failure to invest had severe consequences for factory operations. Many of these enterprises have suffered a slow economic death over the past decade, foretelling the eventual disappearance of these types of transactions.

The declines in intra-CIS trade of the 1990s have left their mark. All of the CIS countries except Moldova and Turkmenistan now export more to the Far Abroad (countries other than members of the CIS) than to CIS member states (See Table 2). As of 2000, 80 per cent of aggregate CIS exports went to the Far Abroad. Earlier in the transition, the CIS, especially Russia was the primary export market for most of the CIS countries. In 1992, over four-fifths of Armenia's exports and more than a two-thirds of Kazakhstan's went to the CIS. As of 2000, three quarters of Armenia's and Kazakhstan's exports went to the Far Abroad.

Despite these disruptions in traditional trade relations, by 2001, trade as a share of GDP in many of the CIS states was very substantial, in general running over 60 per cent, 147 per cent in the case of Tajikistan. For a number of countries, including Tajikistan, the high

ratios of trade to GDP are more a reflection of the very low value of their GDPs at market exchange rates than the strength of their export sectors. Many of the currencies are very weak. Their market value is far below their value at purchasing power parity exchange rates. However, some of the relatively high trade to GDP ratios of the larger CIS economies reflect the recent dynamism of their export sectors. In Kazakhstan, Russia and Ukraine, for example, the share of trade (exports plus imports) as a share of GDP computed at market exchange rates ran 77.8, 60.0 and 95.2 per cent, respectively, in 2000, high even by the standards of wealthier West European economies (Table 4).

In all three of these larger countries, exports as a share of GDP are relatively large, 50.1, 42.1, and 46.2 per cent, respectively, in 2000. In contrast, exports as a share of GDP in the smaller, poorer economies are often quite low, running just 15.5 per cent for Armenia and 10.9 per cent for Georgia in 2000. The low share of exports in GDP in these countries reflects the difficulties the smaller countries have encountered in finding markets for their products in the rest of the world. Most of the smaller countries rely on just a few commodities for their exports. For example, Armenia relies on cut diamonds for 35 per cent of its exports, Kyrgyzstan counts on gold for 46 per cent, Uzbekistan is reliant on cotton for a quarter, and Tajikistan depends on aluminum for 40.7 per cent of its exports. Much of the rest of their productive sectors serves the domestic market only.

Exports from CIS member states began to recover in the mid-1990s, but for the smaller CIS countries, the emerging patterns of trade are far different than those immediately following the collapse of the former Soviet Union. Trade in manufactured goods, which accounted for the bulk of pre-independence exchanges, has yet to recover. Where light manufacturing has experienced some rebound, it often involves textiles, clothing, and shoes for domestic consumption, or in the case of Moldova and Ukraine, for export to West European markets. Exports of commodities, especially crude oil, non-ferrous and precious metals, and cotton have gained in importance. These exports generally go to the Far Abroad. The major exports that continue to go to CIS markets have been intermediate industrial goods such as alumina, copper ore, chemical intermediaries, or wood, that are shipped to large processing plants, primarily in Russia. The purchasers then frequently export the final product to West European markets. Output of industrial intermediates has fueled the rise in industrial output in Kazakhstan, Russia, and Ukraine of the past two years.

Although the above three categories of exports (labor-intensive consumer goods, energy and raw materials, and industrial intermediaries) are the primary areas of growth in CIS exports, including those from Russia, two other export categories bear mention. First,

because of infrastructure constructed during Soviet times, many of the electric power grids and pipeline networks in the region cross borders. As a consequence, many of the republics are heavily dependent on their neighbors for electric power, natural gas, or refined oil products. These items are very important in inter-CIS trade. Two, as markets have gained a greater role in the CIS, a number of countries have begun to develop market-based industries that cater to consumer demands in the CIS. This is most apparent in the Caucasus and Moldova, where exports of food products, alcoholic beverages, and other consumer goods to Russia and other large CIS markets have been on the rise. Although these regions were traditional producers of these products and had recognized brands during the Soviet period, privatized enterprises are now more aggressively marketing and exporting these products and enjoying some success with these activities.

The shift to more market-based trade has started to generate solid increases in exports. Aggregate CIS exports rose at an average annual rate of 6.5 per cent between 1994 and 2000. However, all of this growth was in trade with the Far Abroad, intra-CIS exports fell slightly during this period. Despite a 39.5 per cent increase in Russia's exports in 2000, export growth in the non-Russian CIS between 1994 and 2000 has been almost as strong as Russia's, running 6.2 per cent per year over the entire period. Even countries like Belarus, Kyrgyzstan, and Uzbekistan have enjoyed substantial export growth since 1994. Export growth has been an important factor in the rapid economic growth rates enjoyed by most CIS countries in the past two years.

Import growth has been determined by exports and the availability of foreign financing. After solid growth between 1994 and 1998, imports plummeted 26.4 per cent in 1999, the year after Russia's financial crisis. Russian imports dropped 33 per cent that year, but almost all other CIS countries also experienced drops in imports in 1999. Russia's default had repercussions across the CIS, triggering declines in the currencies of almost all the other CIS countries. The effects of the depreciation of exchange rates in most CIS countries extended into 2000, as imports, although up 16 per cent from the 1999 low, were still 15 per cent lower than in 1998. Imports and the real effective exchange rates continued to rise in 2001.

CIS suppliers account for a much larger share of imports than they do of exports. They provided 41 per cent of total imports in 2000 even though CIS buyers took only 20 per cent of CIS exports. This anomaly stems from Russia's very large trade surpluses, virtually all of which stem from trade with the Far Abroad. CIS suppliers remain important sources of fuels and electric power, industrial intermediates, and some consumer goods, including food and

beverages. However, the Far Abroad has been the most important source of CIS imports since the very early 1990s. Western Europe is a major supplier of investment goods and machinery; East Asia has become an important source of consumer goods and in some instances, industrial components. A joint venture controlled by South Korea's Daewoo in Uzbekistan has precipitated substantial imports of automotive components from South Korea. Turkey is an important trading partner for almost all the CIS countries, including Russia and Ukraine. Turkey exports buses and machinery as well as consumer goods. The United States, historically an important supplier of grain and oil seeds to the former Soviet market, has seen this market fall sharply. However, Western agricultural exporters had been able to substitute exports of meat, including chicken, for feed grains by the mid-1990s. In light of the very small size of their economies, the CIS countries appear to enjoy very appreciable gains in economic welfare from this trade.

In aggregate, the CIS has run very large trade surpluses with the rest of the world since the ruble crisis of 1998. The aggregate surplus peaked at USD 65bn in 2000, 18.8 per cent of aggregate CIS GDP; it shrank in 2001. The large surpluses have been solely due to the energy exporters. Russia's and Kazakhstan's combined trade surpluses exceeded the entire CIS surplus. Azerbaijan and Turkmenistan, the other two large energy exporters, also have had very large merchandise trade surpluses. The external balances of the other countries have been more mixed. The non-energy exporters have generally not run large trade surpluses along the lines of the energy exporters. Tajikistan, Ukraine and Uzbekistan posted surpluses in 2000, but most of the other countries ran trade deficits, some of which were quite large. For example, Armenia, Georgia, and Moldova ran trade deficits equivalent to 12 to 31 per cent of GDP in 2000. These three countries have been recipients of substantial inflows of foreign aid, lending from multilateral financial institutions, and, in the case of Armenia and Georgia, remittances from abroad, enabling them to finance these large deficits.

The very large aggregate trade surplus has translated into a substantial aggregate CIS current account surplus. In 2000, the aggregate current account balance for the CIS was USD 47.4bn, 13.8 per cent of aggregate CIS GDP at market exchange rates. The surplus was almost entirely due to Russia, which ran a surplus of USD 46.3bn by itself. Although the aggregate surplus declined sharply in 2001, it still remained substantial, over 10 per cent of aggregate CIS GDP, again due to Russia. Despite the large aggregate current account surplus, a number of the smaller countries, most notably Armenia, Georgia, Kyrgyzstan, Moldova, and Tajikistan, have been running substantial, eventually unsustainable, current account deficits.

Current account deficits for these five countries ranged from 6 to 15 per cent of GDP in 2000, large by international standards.

Those countries that ran substantial current account deficits were able to do so because of external financing from international financial institutions or bilateral credits provided or guaranteed by foreign governments. The IMF and World Bank, in particular, have provided a very significant share of total financing for the smaller CIS states over the course of the transition. These loans have been crucial for all the smaller states. Since August 1998 none of these countries has had access to significant commercial credits. Although external financing is also an indicator of global economic integration, it is not a stable one as lenders are at liberty to cut off borrowers at any particular point in time. Thus, the heavy dependence of the smaller countries on external finance from official sources to fund their very large current account deficits is not a good sign.

In aggregate, CIS debt has actually fallen since 1999, as Russia and Ukraine have paid down some of their foreign debt. However, the smaller countries have added to theirs. Because of substantial current account deficits in the smaller CIS states, foreign debt levels, another indicator of international economic integration, have been rising in these countries. Foreign debt levels exceed 100 per cent of GDP in Kyrgyzstan, Moldova, and Tajikistan. Almost all of this debt has been provided by foreign governments, either through direct loans or guarantees, or international financial institutions such as the IMF and World Bank. Of the government debt, a substantial amount is owed to other CIS countries, especially Russia, primarily for unpaid energy deliveries. Although debt service levels often remain relatively low because many of the loans have been offered at concessional interest rates, the relatively high level of debt is a threat to the long-term health of these smaller CIS countries.

Direct foreign investment as a share of GDP, another indicator of international economic integration, varies greatly in the CIS, from 110 per cent in Moldova to 12 per cent of GDP or less in the case of Belarus, Russia, Ukraine, and Uzbekistan (Table 4). Of the larger countries, only Kazakhstan has an appreciable amount of FDI in relation to the size of its economy: 44.5 per cent in 2000. Per capita FDI ranges from USD 25 in Tajikistan to USD 545 in Kazakhstan. It was just USD 160 in Russia in 2000, in contrast to Hungary, where it was USD 2,134. Despite the relatively low levels of per capita FDI in the CIS, companies controlled by foreign investors are the biggest exporters in a number of countries. For example, Armenia's cut diamond exports are processed by Belgian, British, and Israeli firms. A Korean company, Daewoo, has a controlling interest in UzDaewoo, an automobile producer, one of Uzbekistan's three largest exporters, Kyrgyzstan's major exporter, the

Kumtor Gold Mine, is controlled by a Canadian company. Two-fifths of Azerbaijan's oil exports are pumped by the Azerbaijan International Operating Company, an international consortium of 10 companies, including BP and Unocal.

In aggregate, foreign direct investment in the CIS has not risen much since 1998, primarily because of suspicions about the business climate in Russia and Ukraine. However, there have been some substantial increases in FDI in the smaller countries because of sales of state-owned assets and in Azerbaijan and Kazakhstan because of foreign investment in oil production.

In short, according to a number of indicators, the CIS countries have made impressive strides towards becoming much more integrated into the global economy since independence in 1991. Export to GDP ratios are respectable by international standards and trade to GDP ratios are substantial. Exports have been increasing at more than 6 per cent per year since 1994 and, after collapsing in 1999 following the Russian default, imports are rising as well.

On other accounts, the CIS countries do not score as well. Foreign direct investment in most countries is relatively low, both on a per capita basis and in proportion to GDP. On the other hand, in some countries gross debt to GDP ratios are quite high, more than 100 per cent of GDP. The region is also subject to large external imbalances. Trade and current account surpluses in Kazakhstan, Russia, and Turkmenistan were very large in 2000, in part because of capital flight. Current account deficits have been unsustainably large in some of the smallest CIS states, threatening substantial economic adjustments in these countries in the near future.

4. Economic growth in the CIS and international economic integration

Rising exports from the CIS since 1998 have been accompanied by a sea change in economic performance in the region. Although a few of the smaller CIS countries enjoyed very respectable growth rates in the mid-1990s, until 1999 none of the larger economies reported appreciable gains in output. Russia reported its first year of dynamic growth that year as output rose 5.4 per cent. Until the year 2000, the best that Kazakhstan had done was 2.7 per cent growth in 1999. Ukraine had suffered nothing but declines in output.

The last three years have been entirely different for these three countries and have restored the faith of those of us who have argued that the larger CIS countries should be able to generate some of the same increases in output and efficiency that had been experienced in Central Europe and the smaller former Soviet republics earlier in the transition from central planning to market economies. Over the course of the last three years, the turnaround in the

three largest CIS economies has been spectacular. In 2000, GDP rose 9.0 per cent in Russia, 9.6 per cent in Kazakhstan, and 5.8 per cent in Ukraine. Growth slowed slightly in Russia in 2001 to 5.0 per cent. But the other two economies reported some of the fastest growth rates in the world. Kazakhstan enjoyed an estimated 13.2 per cent increase in GDP in 2001 and Ukraine, which finally reported an upturn in GDP in 2000, grew an estimated 9.0 per cent. By the end of 2001, the Russian, Ukrainian, and Kazakh economies had cumulatively increased output by 20, 15, and 26 per cent, respectively, over the previous three years. Kazakh government officials are even starting to compare their performance to that of Hungary's, the current economic leader in Central Europe.

What is going on in these economies? Exports have been an important source of economic growth. Kazakhstan and to a lesser extent Russia benefited from higher world market prices for oil in 2000 and 2001. Both countries are also producing more oil, although only in Russia's case is higher output unambiguously tied to the effects of higher oil prices. In Kazakhstan, investment decisions made in earlier years have led to increased output. In Russia, higher oil prices are stimulating investment in the oil sector as Russian companies are reopening wells that had been shut-in and are developing new fields. Both Kazakhstan and Russia also benefited from relatively high world market prices for non-ferrous metals in 2000, although like oil prices, prices have since fallen. As ferrous and non-ferrous metals account for a quarter of Kazakhstan's exports, price increases have had a tangible impact on the country's terms of trade. Higher profits by metal exporters triggered investment in these sectors as investors put money into mines and smelters.

However, higher prices for oil and metals are only part of the story. Ukraine, where growth has been more rapid than in Russia and almost as dynamic as Kazakhstan's, is a net energy importer. Terms-of-trade losses from higher oil prices have been appreciable in 2000 and 2001. On a macroeconomic level, growth in all three countries has been fostered by a combination of competitive exchange rates and declining inflation, which has been made possible by sensible monetary policies and prudent budget management. All three countries are currently registering surpluses on their central government budgets. Any latent financing needs are primarily being met through privatization revenues.

Some of the increase in tax revenues, and hence better budgetary performance, has been triggered by profits and better tax payment discipline at large, formerly state-owned enterprises. These companies are taking the lead in integrating the larger CIS economies into the global economy. They have been able to take advantage of the sharp declines in real effective exchange rates after the Russian financial crisis in August 1998. Between 1997 and

1999, the real effective exchange rate fell 44 per cent against the dollar in Russia and Ukraine. In Kazakhstan the decline was less severe: the real effective exchange rate fell 30 per cent from peak to trough. In all three countries, the decline in the real effective exchange rates contributed to a substantial boost in the competitiveness of commodity exports, especially steel, non-ferrous metals, and chemicals.

Despite the sharp depreciation of the exchange rates, except for Russia, inflation never got out of control as it did in the early 1990s. December-on-December inflation peaked at only 25.8 per cent in Ukraine and 18 per cent in Kazakhstan in 1999, despite the sharp declines in their currencies. In Russia, on the other hand, year-on-year inflation hit 84.5 per cent in 1998, but even there the Central Bank of Russia was able to rein in inflation in 1999 as the December-on-December rate fell to 36.7 per cent. The ability of the central banks in these countries to forestall another bout of very high inflation was crucial for the economic rebound as enterprise managers could focus on improving productivity rather than shuffling payments to push losses due to inflation off on their suppliers.

A sharp real effective depreciation of the local currencies in the context of a fairly benign inflationary environment would have had no effect on growth unless enterprises had responded to these signals. The key difference between 2000 and 1992 has been the creation of a species of transition capitalism in the CIS, in which enterprises pursue profits, not output. As in Central and Eastern Europe, small businesses are playing a key role in this process, accounting for most of the value added generated in a number of industries. Across the CIS, retailing, wholesaling, construction, and road transport are almost exclusively private sector activities, in which small private businesses dominate.

However, much of the increase in output, especially in industry, is being generated by large domestically owned companies. In contrast to Central Europe where subsidiaries of Western companies have played an important role in driving growth, the larger CIS companies are owned by locals or investors from other CIS countries. The state frequently owns smaller portfolio stakes in these companies, but the majority shareholders are firmly in charge. These companies, created out of the remnants of formerly state-owned enterprises, have undergone substantial management changes after the shift in ownership from the state to the private sector. The new owners are focused on cash flow. They insist on getting paid, in contrast to past managements, who let traditional customers run up substantial bills, and in return failed to pay their own suppliers. They also have had an eye for investments with substantial rates of return. The very large increases in investment in Ukraine in 2000 and 2001 and in Russia in 1999 and 2000 were primarily financed by private CIS capital. Even in

Kazakhstan, wealthy Kazakh investors are becoming an increasingly important source of investment funds.

These individuals and the senior managers they employ are responsible for the construction of expensive dachas on the outskirts of major cities. They are also constructing modern corporate headquarters buildings in Moscow and now, more frequently, in Almaty and Kiev. Somewhat like successful Asian entrepreneurs, these individuals have a penchant for diffuse, opaque ownership schemes. Similar to their Asian counterparts, the new owners are skillful in hiding profits and moving them to safe locations abroad. Like some Asian entrepreneurs, investment decisions are made by a small group of individuals, usually the owners, at the top of the company. Gut instinct and political analysis often play as important a role in decision-making as financial analysis, although there is a mounting respect for financial skills. Over the past three years, these wealthy entrepreneurs have also shown an interest in acquiring businesses outside their original areas of interest, in the process creating unwieldy conglomerates.

In contrast to a number of Asian entrepreneurs who have had decades to acquire wealth and sources of capital, many of the new entities are actively looking for portfolio or strategic investors from abroad. The absence of functional banking systems in any country in the CIS outside of Kazakhstan and the collapse in foreign financing after the Russian financial crisis have compelled these corporations to rely on retained earnings and depreciation allowances to finance investments, although a rudimentary corporate bond market is rapidly reemerging in Russia. However, many of the larger companies are beginning to again seek finance from abroad. Although outside of Kazakhstan foreign direct investment plays a very modest role in the CIS economies, over the next few years, cross-border flows of investment are set to rise sharply. Initially, these flows often involve investments by other companies or investors from the CIS. In Ukraine, Russian, and, to a lesser extent, Kazakh investors dominate the energy sector. However, as the recovery continues, Western multinationals will play a rising role in the region as marketing, financial, and technological expertise become even more important than capital. In short, continued strong growth in these three economies will depend on inflows of foreign capital and expertise, integrating these economies more closely into that of the rest of the world.

However, the weak financial sectors of Russia and Ukraine will constrain growth in the coming few years. In both countries, financial intermediation remains very underdeveloped. Broad money as a share of GDP runs just 22.1 per cent in Russia and 18.6 per cent in Ukraine. Unfortunately, recent growth in financial intermediation has not been

matched by improvements in the allocation of capital or creation of a solvent financial system. The Central Bank of Russia remains firmly unconvinced of the importance of supervising banks, evaluating credit risks, and having banks lend on a risk-weighted rate-of-return basis. *Sberbank*, the largest bank in Russia and the only one to which the government provides a guarantee on deposits, is busy lending to bankrupt Russian companies now that the federal government no longer needs its deposits. It is targeting credits to “strategic” companies, most of which will not be able to service their loans, and lending at negative real interest rates. In Ukraine, the financial system is also grossly underdeveloped. As in Russia, state-controlled banks hold almost all deposits and account for most assets, many of which are shaky. As shown by the experiences of the Central and East European states, lax financial controls will store up problems for the future, culminating in a collapse of the banking system.

The financial sectors can improve, especially with the involvement of foreign banks. In contrast to Russia and Ukraine, Kazakhstan is developing a modern banking sector. Private banks, especially *Kazkommertsbank*, which holds over a quarter of the entire industry’s assets, are well run and focused on making money through their lending operations. In addition, foreign banks are playing an expanding role in the economy. Of 44 banks operating in the country, foreign investors hold strategic stakes in 16.

5. Slow reformers begin to hurt

While Kazakhstan, Russia, and Ukraine appear to have cobbled together economic systems in which the private sector is finally generating growth, in part by opening their economies to the rest of the world, two of the three members of the CIS that have been most loath to use markets had a poor year in 2001 and face difficult prospects in 2002 and 2003. Belarus, Turkmenistan, and Uzbekistan remain reluctant to reform. Of these countries, Belarus and Uzbekistan are struggling: both are posting slower growth and are attempting to reduce high rates of inflation. Turkmenistan has avoided the same fate due to higher exports of natural gas.

Official statistics still show that both the Belarusian and Uzbek economies are growing. In 2001, GDP in Belarus was up an estimated 3 per cent, but this compares to growth of 5.8 per cent in 2000. The reason for the slowdown in Belarus has been tougher Russian policies on payments for exports to the country. Over the course of the transition, Belarus has survived by trading Soviet-designed machinery for Russian raw materials, which it then processes for sale in West European markets. This strategy worked well in 2000 when Belarus ran a USD 1,548m trade deficit with the CIS, all with Russia, while running a USD

441m trade surplus with non-CIS countries. These proceeds were used to service Belarus's USD 1.2bn foreign debt. In 2001, exports to the CIS (including Russia) were up 7 per cent while imports were down 10 per cent as Russian energy producers took a tougher line with their Belarusian customers. The decline in the CIS trade deficit squeezed Belarusian aggregate demand.

Although tougher Russian payments conditions are a factor in the economic slowdown in 2001, most of Belarus's problems are of its own making. The misallocation of resources to poorly performing collective farms and state-controlled enterprises has reduced living standards. High rates of inflation have heightened commercial uncertainty and slowed growth. For the past five years, Belarus has posted some of the highest inflation rates in the CIS. December-on-December, Belarusian inflation hit 251 per cent in 1999 and was still over 100 per cent in 2000, although it finally declined to an estimated 34 per cent in 2001. The decline in 2001 reflects tighter fiscal and monetary policies. However, government decisions to limit increases in administratively controlled prices to less than cost-recovery levels have also played a modest role. These constraints impose financial and efficiency costs on the economy as utilities fail to generate enough revenues to cover their costs.

Tougher payments conditions from Russia and the quest to reduce inflation are forcing the Belarusians to begrudgingly adopt more market-oriented economic policies and to open the economy more to global forces. The exchange rate has been unified and the ruble is now tied to the Russian ruble through a crawling peg within a fairly wide band. The government has also asked the IMF for assistance. The IMF is monitoring economic policy and developments.

The Uzbek economy is rocky as well. Although growth in GDP has been in the 4 per cent range for the past four years, growth in aggregate demand sank to an estimated 2.3 per cent in 2000 as the current account deficit had to shrink because of external financing constraints. In 2000, Uzbekistan suffered from the financial problems of Daewoo Motor, a major Korean investor that has since gone bankrupt. But the economy has also suffered from lax quasi-fiscal policies because of government price controls on utilities. Export taxes and government-mandated marketing boards have reduced incentives to farmers of cotton and other field crops. Although Uzbekistan has made strides on privatization, especially of small businesses, remaining government price controls have slowed economic growth and are storing up additional adjustment costs in the years ahead.

6. Smaller CIS economies struggle with budget and current account deficits

While the larger economies are enjoying rapid growth, much of which has been export-led, some of the smaller former Soviet republics are having difficulties controlling their external imbalances. Many of these economies are so tiny that even modest movements in trade or current account balances can easily derail growth. Tajikistan enjoyed estimated growth in GDP of 10.3 per cent in 2001, following an 8.3 per cent increase in 2000. However, rapid growth has come courtesy of a widening current account deficit that is estimated to have exceeded 11 per cent of GDP in 2001. Like Kyrgyzstan and Moldova, Tajikistan will need continued IMF support to sustain growth as no private lenders will provide loans to cover its substantial current account deficits.

Moldova's new Communist government is also having difficulties with the IMF. Although Moldova was on track to post its first decent year of growth since independence in 2001, an estimated 5.2 per cent, the government is out of compliance with its IMF program and received no funds from the IMF. As Moldova ran another large current account deficit and no other entity is willing to provide funds, the government's posture threatens growth and the country's creditworthiness for 2002. The current account deficits are very large as a share of GDP, running 9.3 per cent in 2000 and an estimated 7.6 per cent in 2001. Thus, unless the government moves ahead with reductions in implicit subsidies through price controls and with more rapid privatization, Moldova's period of stronger growth may quickly come to an end.

After rapid growth of 5.0 per cent in 2000, Kyrgyz economic growth continued in 2001 as GDP rose an estimated 6.7 per cent. However, like Tajikistan and Moldova, growth has been accompanied by large current account deficits of 14.4 and 5.9 per cent of GDP in 1999 and 2000, respectively. Government reluctance to tighten fiscal policy is at fault. The government has been financing some of its expenditures and support for loss-making enterprises by printing money. This policy and a sharp fall in the value of the som after the August 1998 Russian financial crisis boosted December-on-December inflation to 40 per cent in 1999. Inflation is now falling sharply, but Kyrgyzstan's large current account deficits and disputes with the IMF make another currency crisis very possible.

Georgia and Armenia face similar problems. Georgia's current account deficits have been very large, 8.7 per cent of GDP in 2000 and an estimated 9.8 per cent in 2001. The country generally has good relations with Western governments; but relations with international financial institutions are rockier, even though continued economic growth is dependent on the provision of external finance. In 2000, growth in GDP slowed to just 1.8 per

cent as Georgia continued to have difficulty recovering from the 1998 Russia crisis. After reporting growth of over 10 per cent in 1996 and 1997, growth has averaged just 2.7 per cent between 1998 and 2001. Growth accelerated to an estimated 6.0 per cent in 2001, but at the expense of a widening current account deficit. Armenia has enjoyed more rapid growth than Georgia in recent years, 6.0 per cent in 2000, but it too has large current account deficits, running well over 10 per cent of GDP. Maintaining access to foreign financing remains key to continued growth.

Eventually, all of the small CIS countries will have to reduce their current account deficits. The key to achieving this goal while maintaining growth is, of course, increasing exports of goods and services. Here, to a great extent, Russia will be a key factor. Although non-CIS countries have become more important export markets than the CIS for almost all the CIS countries, value added from exports to the CIS is generally much higher than to non-CIS countries. A substantial share of exports to countries outside the CIS involves piece work or processing (such as cut diamonds in the case of Armenia) where domestic value added is fairly low. In addition, Armenia and Georgia benefit from substantial remittances from citizens working in Russia. Thus, solid growth in surrounding countries, especially Russia, would be very helpful for maintaining growth.

Fortunately for these smaller countries, Russia and Ukraine should indeed enjoy very solid growth in aggregate demand over the next few years, a projected 5.9 and 5.8 per cent, respectively, in 2002. Despite the rising importance of non-CIS countries as export markets, rising aggregate demand in Russia and Ukraine will contribute to growth in the smaller CIS countries both through imports of more traditional manufactured and agricultural products and through the provision of jobs for Armenians, Georgians, and Moldovans in the more dynamic economies of Moscow and Kiev.

This said, the most important determinant of medium-term growth will be continued access to multilateral funding. Although the Bush administration now appears likely to support more IMF lending for economies in trouble, all of these countries have been put on notice that fiscal policies, market reforms, and privatization need to be implemented quickly, if this funding is to continue.

7. Globalization and the outlook for future economic growth

As highlighted above, the former Soviet republics, especially the three large economies of Russia, Ukraine, and Kazakhstan, have recently enjoyed a period of solid economic growth, their first since independence. A species of transition capitalism has taken

root in most of these countries and has begun to result in rising incomes and GDP. Over the next few years, this system should be healthy enough to continue to push output upward. Going forward, Russia and Ukraine are poised for a few years of solid growth, punctuated by problems in the financial sector. Both small businesses and the large formerly state-owned enterprises controlled by local entrepreneurs are in a position to increase output, wages, profits, and employment by improving efficiency and tapping markets in the rest of the world as well as at home.

However, in the case of Russia and Ukraine, because of the failure of their governments to open their financial systems to outside investors, their domestic financial systems are still dominated by institutions with very limited abilities or desires to effectively evaluate credit risks. Within a few years, borrowers will default and the Russian and Ukrainian governments will have to cover the losses by issuing bonds. In the interim, the misallocation of capital will slow growth. This gloomy scenario could be forestalled if Russia and Ukraine would permit foreign banks to freely enter their markets. Russia's and Ukraine's reluctance to permit foreign competition in the financial sector reflects the outcome of an alliance between nationalistic politicians and domestic banks. In both countries, the lack of competition from foreign-owned banks is severely retarding the development of a modern financial sector, a development that will be necessary for sustained, rapid growth.

The oil economies of Azerbaijan and Kazakhstan will continue to enjoy a period of very rapid growth as the development of new fields and opening of pipelines boosts output and exports to international markets. Currently, Kazakhstan appears to be handling its oil wealth more effectively than Azerbaijan as many non-oil sectors are thriving. However, in both cases on-going investments in expanding energy output assure a period of very buoyant growth made possible by foreign investment and rising energy exports to markets in the Far Abroad.

We project much slower growth in Uzbekistan and a recession in Belarus as these countries go through a difficult period in which they will have to unify their exchange rates, reduce subsidies to loss-making enterprises, and watch as their domestic industries restructure as the governments find they must dismantle barriers to international trade and investment. In our view, it is unlikely that the presidents of either country will cease interfering with markets and will attempt to slow this adjustment process. Consequently, both countries face a period of slower growth than in other countries in the CIS.

Balance-of-payments problems threaten sustained growth in the smaller CIS countries. Although Tajikistan, and possibly Kyrgyzstan, may receive more balance-of-payments

support and assistance because of their proximity to Afghanistan, most of the smaller CIS countries are running very large current account deficits, financed by lending from international financial institutions and Western governments. Most of these governments have either had difficulty in meeting fiscal targets agreed upon with the IMF because of institutional failings in terms of tax collection, or have been reluctant to pursue these targets because of opposition from key domestic political groups. In most instances, the governments have eventually agreed to make institutional and policy changes needed to near the original targets. Based on past performance, however, all of the smaller countries will oscillate between periods of rapid growth and widening current account deficits and slower growth or recession and narrowing deficits. Despite these problems, we project growth rates in the range of 4 to 7 per cent in the coming years, under the assumption that official lending will not be cut off.

To summarize, the relative economic success and failure of the various CIS republics indicate that those countries fortunate enough to have economic sectors capable of selling into the global economy have enjoyed the best economic performance in recent years. In addition, sectors that have attracted foreign direct investment have performed better than those that have not. However, virtually all of the CIS countries have made impressive strides in becoming more integrated into the global economy since independence in 1992. Over the nest few years, they are poised to enjoy a period of solid growth drive by expanding trade in goods and services, and much more substantial inflows of foreign direct investment, especially in the larger economies of Russia, Ukraine, and Kazakhstan.

Table 1: The Gross Domestic Product of the CIS in 2001 (in USD billion)

	GDP at PPP Exchange Rates	GDP % of CIS Total	GDP at Market Exchange Rates	GDP% of CIS Total	GDP Growth %	GDP % Previous Peak
Armenia	12.1	1.0	2.0	0.5	6.3	74.5
Azerbaijan	18.4	1.6	5.2	1.3	8.0	63.4
Belarus	68.8	5.8	11.7	2.8	3.1	90.4
Georgia	11.7	1.0	3.2	0.8	6.0	40.3
Kazakhstan	48.6	4.1	21.0	5.1	11.6	77.3
Kyrgyzstan	12.2	1.0	1.4	0.4	6.4	70.4
Moldova	8.9	0.8	1.5	0.4	5.2	36.3
Russia	772.2	65.3	309.0	75.0	5.0	69.1
Tajikistan	6.4	0.5	1.2	0.3	8.1	53.6
Turkmenistan	20.6	1.7	6.0	1.4	12.7	97.7
Ukraine	136.8	11.6	39.0	9.5	8.5	43.5
Uzbekistan	66.6	5.6	11.1	2.7	3.8	100.4
Total	**1183.2**	**100.0**	**412.2**	**100.0**	**5.7**	**66.3**

Table 2: Economic and demographic data for the CIS, 2001

	Population thousands	Population % of CIS Total	Per Capita GDP in USD at PPP Exchange Rates	Per Capita GDP in USD at Market Exchange Rates
Armenia	3803.7	1.4	3176.2	538.4
Azerbaijan	7771.1	2.8	2372.4	665.1
Belarus	10129.4	3.6	6788.7	1150.9
Georgia	5376.4	1.9	2181.3	601.5
Kazakhstan	14865.1	5.3	3270.6	1411.3
Kyrgyzstan	4936.2	1.8	2461.9	292.5
Moldova	4362.5	1.6	2034.9	333.0
Russia	144246.0	51.3	5353.2	2141.9
Tajikistan	6440.7	2.3	989.1	181.5
Turkmenistan	5398.0	1.9	3824.3	1103.5
Ukraine	49001.8	17.4	2791.0	795.9
Uzbekistan	25015.0	8.9	2660.7	444.1
Total	**281345.9**	**100.0**	**4205.4**	**1465.0**

Table 3: CIS trade (in USD million)

Exports								
	To the CIS 1992	Total 1992	To the CIS 1994	Total 1994	To the CIS 1998	Total 1998	To the CIS 2000	Total 2000
Armenia	126.5*	156.2*	158	216	81	221	73	298
Azerbaijan	730	1484	274	637	232	606	235	1745
Belarus	1709	2903	1478	2510	5160	7070	4453	7380
Georgia	77	87	117	156	107	190	136	330
Kazakhstan	3315	4769	1874	3231	2100	5436	2380	9140
Kyrgyzstan	209	285	223	340	231	514	207	505
Moldova	304	471	405	565	429	632	280	477
Russia	11229	53605	14541	67542	15300	74200	14800	105565
Tajikistan	74	185	263	559	192	586	369	779
Turkmenistan	624	1533	1651	2176	152	614	1282	2465
Ukraine	17600	21374	7800	13900	4200	12600	4500	14600
Uzbekistan	554	1424	1519	2549	901	3218	1172	3265
Total	**36551**	**88276**	**30302** **15761.4**	**94380** **26837.6**	**29085** **13785.3**	**105886** **31685.9**	**29887** **15087.4**	**146548** **40982.8**

Imports								
	From the CIS 1992	Total 1992	From the CIS 1994	Total 1994	From the CIS 1998	Total 1998	From the CIS 2000	Total 2000
Armenia	168.1*	254*	206	394	230	902	173	885
Azerbaijan	607	940	486	778	405	1077	376	1172
Belarus	1878	2721	2091	3066	5554	8549	6001	8487
Georgia	159	176	268	327	303	915	222	700
Kazakhstan	7315	7885	2177	3561	2002	4350	2615	5052
Kyrgyzstan	326	396	209	436	441	842	299	555
Moldova	336	506	476	659	440	564	253	793
Russia	5987	42971	13551	50518	13600	59100	13400	44862
Tajikistan	107	240	264	686	460	725	559	674
Turkmenistan	416	446	686	1691	500	1137	605	1728
Ukraine	22100	24319	11400	16500	7900	14700	8300	14000
Uzbekistan	731	1654	1394	2603	916	3125	1126	2947
Total	**40129**	**82506**	**33207**	**81219**	**32749**	**95985**	**33927**	**81855**

Balance of Trade								
	CIS 1992	**Total 1992**	**CIS 1994**	**Total 1994**	**CIS 1998**	**Total 1998**	**CIS 2000**	**Total 2000**
Armenia	-41.6	-97.8	-48.0	-178.4	-149.7	-681.9	-100.3	-587.6
Azerbaijan	122.6	544.1	-211.7	-141.2	-172.5	-471.0	-140.3	572.8
Belarus	-168.5	182.5	-613.0	-556.0	-394.0	-1479.0	-1547.5	-1107.0
Georgia	-82.4	-88.9	-151.1	-171.7	-195.4	-725.0	-85.3	-370.3
Kazakhstan	-4000.0	-3115.3	-302.9	-330.4	98.7	1086.2	-234.9	4087.4
Kyrgyzstan	-117.0	-111.0	14.3	-96.0	-210.1	-327.9	-91.6	-50.1
Moldova	-32.0	-35.0	-71.0	-94.3	-11.1	68.1	27.0	-315.4
Russia	5242.0	10634.0	990.0	17024.0	1700.0	15100.0	1400.0	60703.0
Tajikistan	-33.3	-54.7	-1.0	-127.0	-267.8	-138.8	-190.4	104.8
Turkmenistan	208.3	1087.0	964.9	485.0	-347.9	-523.0	677.2	737.5
Ukraine	-4500.0	-2945.4	-3600.0	-2600.0	-3700.0	-2100.0	-3800.0	600.0
Uzbekistan	-176.1	-229.8	124.7	-53.6	-14.4	93.5	46.6	317.3
Total	**-3578.0**	**5769.7**	**-2904.8**	**13160.4**	**-3664.2**	**9901.2**	**-4039.5**	**64692.4**

Source: *Statistical Yearbook of the Commonwealth of Independent States, Moscow.*

*1993

Table 4: Indicators of economic integration in 2000

	Total Trade % of GDP	Exports % of GDP	Imports % of GDP	Trade Balance % of GDP	Current Account Balance % of GDP	Foreign Debt % of GDP	Cumulative FDI % of GDP
Armenia	61.6	15.5	46.1	-30.6	-14.7	44.9	28.8
Azerbaijan	59.6	35.6	23.9	11.7	-3.4	23.7	76.3
Belarus	135.3	62.9	72.4	-9.4	-1.4	9.9	10.5
Georgia	34.2	10.9	23.2	-12.3	-8.7	51.6	27.1
Kazakhstan	77.8	50.1	27.7	22.4	5.9	68.7	44.5
Kyrgyzstan	81.2	38.7	42.5	-3.8	-5.9	136.0	30.2
Moldova	97.7	36.7	61.0	-24.3	-9.3	125.7	110.3
Russia	60.0	42.1	17.9	24.2	18.5	67.0	9.2
Tajikistan	146.6	78.6	68.0	10.6	-6.3	121.6	16.4
Turkmenistan	95.2	56.0	39.2	16.7	11.5	54.5	22.1
Ukraine	90.6	46.2	44.3	1.9	1.9	31.4	12.1
Uzbekistan	45.1	23.7	21.4	2.3	-0.1	33.9	6.2
Total	66.4	42.6	23.8	18.8	13.8	60.2	13.2

Source: *Statistical Yearbook of the Commonwealth of Independent States, Statistical Committee of the CIS; International Financial Statistics, International Monetary Fund.*