CONTENTS

"EXTERNAL TRANSFORMATION" IN THE POST-COMMUNIST ECONOMIES: OVERVIEW AND PROGRESS

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Transforming external regimes has proven to be one of the most problematic aspects of the economic transition in the former Council for Mutual Economic Assistance (CMEA) countries.[1] These difficulties result both from internal factors such as the all-too-frequent failure of macroeconomic stabilization programs and from external factors such as the collapse of Soviet-era multinational integration mechanisms. At the macroeconomic level, large declines in regional trade flows during 1990-93 have reinforced the macroeconomic perturbations buffeting the post-Communist economies, while at the microeconomic level, difficulties encountered in sustaining trade liberalization and making currencies more convertible have weakened demonopolizing tendencies and hurt prospects for integration into the international economy.

These difficulties have not been universally insurmountable, however. By the end of 1993, significant progress in external transformation had been recorded in Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, and Latvia. These countries had attained a high degree of current-account convertibility, often via the successful introduction of national currencies.[2] Not surprisingly, the Central European countries (including Slovenia

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[1] Unless otherwise specified the countries referred to in this study are the independent states of the former Soviet Union, Yugoslavia, and Czechoslovakia, as well as Poland, Hungary, Romania, and Bulgaria. External economic developments in China and non-European members of the former CMEA such as Cuba or Vietnam are not considered here.

[2] Although the Czech Republic and Slovakia introduced national currencies (the Czech and Slovak koruna, respectively) in February 1993 (Pehe 1993), these currencies played a minor role in the Czech and Slovak external transformations because most of the progress recorded by these two countries occurred prior to the dissolution of the CSFR at the end of 1992. By contrast, the introduction of the Slovenian *tolar* in October 1991, the Estonian *kroon* in June 1992, and the replacement of the Soviet ruble by the Latvian ruble

and, surprisingly, Romania) achieved the greatest geographic reorientation of trade flows during 1990-92, away from the former CMEA region toward the Organization for Economic Cooperation and Development (OECD) countries (see tables 1 and 2). Likewise, Hungary, the Czech Republic, and Poland enjoyed the most success in attracting foreign investment (in per capita terms) during 1990-93.[3] By contrast, efforts at import liberalization and increased currency convertibility generally foundered outside of Central Europe, while foreign investors gave the rest of the region a wide berth.

To a significant degree, therefore, individual countries' successes in effecting external transformation mirrored the progress they recorded in the overall economic transition. Indeed, given the small size of most of these economies (except Russia) and their need for import competition, access to Western markets, foreign capital, technology, and know-how, it is difficult to imagine success in the overall transition in the absence of external transformation.

What Is External Transformation?

Conceptually external transformation in the post-Communist context connotes the replacement of the external economic institutions and policies of Soviet-type socialism with market-friendly institutions and policies that are consistent with the goal of placing external economic activities on a more rational economic footing.[4] More specifically, this transformation can be divided into five components: external liberalization; the introduction of a convertible currency or a significant increase in the extent of currency convertibility, at least for current-account transactions; the development and maintenance of an exchange-rate regime consistent with macroeconomic stabilization and external balance; the introduction of new multilateral mechanisms to reintegrate the former CMEA region on healthier, market-based principles; and the acquisition of access to the preferential trading areas (PTAs) already in existence in the OECD region, such as the European Union (EU) and the European Free Trade Association (EFTA).

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in July 1992 and then the *lats* in October 1993 was instrumental in helping these countries escape the chaos of the ruble and dinar zones (Girnius 1993; Slay 1992).

[3] Obtaining accurate, comparable estimates of foreign investment in the former CMEA region is an almost impossible task, owing to the different methodologies used in different countries and the difficulties in tracking portfolio investment. Nonetheless, in per capita terms, Hungary, the Czech Republic, and Poland in all probability received the lion's share of foreign capital invested in the former CMEA region during 1990-93. Although Russia may have received more direct foreign investment during 1992-93 than the Central European countries, there can be little doubt that the stock market booms experienced in Warsaw, Budapest, and Prague during that time were fueled by significant Western portfolio investment, something that was lacking in the states of the former Soviet Union and the Balkans.

[4] For more on the traditional foreign trade mechanism in the Soviet-type economy, see Slay (1993a, 14-21).

The remainder of this study is concerned with analyzing the progress recorded by the post-Communist economies in these five areas. Since many of the conclusions presented cannot be definitively verified empirically, they should be understood as working hypotheses and as an attempt to focus debate on some of the more important external aspects of the post-Communist economic transition.

External Liberalization

External liberalization is widely viewed as crucial in promoting economic development in post-Communist countries and elsewhere (Papageorgiou et al., 1991).[5] More specifically, external liberalization (as described in Williamson 1990) connotes trade liberalization in terms of both reducing rates of effective tariff protection and replacing quantitative restrictions[6] with more transparent import tariffs and/or export subsidies (McKinnon 1993, 8) and reducing barriers to foreign direct and portfolio investment. When combined with or preceded by the liberalization of domestic prices and economic activity and the establishment of a certain critical degree of currency convertibility, external liberalization promotes rapid integration into the international economy. In addition to affording consumers and enterprises direct access to foreign exchange and imports, external liberalization also breaks the artificial boundaries separating internal from external economic activities that characterized the traditional system.

To be sure, decisions about the extent and sequencing of external liberalization cannot be made in isolation from the forces of the international political economy. The prevalence of quantitative restrictions on trade in agricultural products and many services implies that, for political reasons, the "tariffication" of quantitative import restrictions in the post-Communist economies is unlikely to spread beyond manufacturing.[7] In light of this, external liberalization should ensure that chosen forms of protection be as uniform as possible, thus abolishing the multitude of sector- and enterprise-specific tariffs and subsidies in the old system, and compatible with the General Agreement on Tariffs and Trade (GATT) in order to promote relatively unimpeded trade with GATT signatories, which include the OECD countries and most of the rapidly growing, newly industrialized countries.

Perhaps surprisingly, the record on external liberalization has been somewhat mixed, even in Central Europe. To be sure, Poland, Hungary, and Czechoslovakia did record significant progress in "tariffizing" quantitative import restrictions (both formal and informal) during 1989-90 while simultaneously reducing nominal tariff rates toward OECD levels, at

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[5] For an opposing view, see Greenaway (1993).

[6] The state monopoly on foreign trade would be among the most important of these implicit restrictions.

[7] Although the politics of trade negotiations may require that Country A maintain its barriers against Country B's exports until Country B agrees to mutual reductions in protection, trade theory argues that unilateral reductions in Country A's restrictions on B's exports generally improve A's welfare.

least for manufactures. These steps, combined with the near total liberalization of domestic prices and economic activity, significant increases in the extent of current-account currency convertibility, and the creation of much more favorable environments for foreign investment, significantly liberalized trade and capital flows during the first years of the transition in Central Europe. Substantial increases in import competition, which helped play a significant role in demonopolizing what had been concentrated industrial structures, were among the many positive results of this liberalization (Slay 1994).

On the other hand, some of the progress recorded in trade liberalization during the first phase of the transition in Central Europe was subsequently reversed. Many factors, including the depth and severity of the post-Communist recession, gathering protectionist demands from import-competing sectors,[8] deficits in fiscal and merchandise trade balances, and the growing perception that Western (especially EU) trading partners were themselves not playing by the rules of free trade, combined to produce increases in tariff rates across Central Europe. In Poland, for example, nominal tariff rates tripled in August 1991 (from 6 to 18 percent [Dziewulski 1992]), and the import of such products as automobiles, alcohol, cigarettes, fuels, intellectual property, and nonferrous metals was subjected to increasing regulation during 1992-93. Much higher tariffs on agricultural products were introduced in Czechoslovakia in 1992, while general import surcharges were introduced in Poland and Slovakia in 1993. A noticeable trend away from import liberalization has also been apparent in Hungary since 1991.[9]

Despite this slippage there is little doubt that the external liberalization picture darkened considerably outside of Central Europe, largely as a result of the failure of stabilization efforts in the former Soviet Union and the Balkans.[10] High or hyperinflation and monetary chaos in these countries have generally prevented the introduction of convertible currencies, while the absence of effective domestic price liberalization has also ruled out trade liberalization. Export controls have often been established in the former Soviet republics, largely in order to prevent the "undesired" export of shortage products and inputs.[11] This is even apparent within individual states (e.g., the Russian Federation) where export controls established by local and regional governments have effectively made national markets irrelevant. The result has been the continuation of centrally planned foreign trade in which the importance of state-directed trading activities continues to

[8] Demands for renewed import protection were not limited to domestic firms. In such sectors as the automobile industry, significant increases in tariff rates were the price demanded for foreign direct investment by such firms as Fiat, Ford, General Motors, Volkswagen, and Suzuki (Slay 1993a, 31; Okolicsanyi 1993).

[9] For more on post-1991 backsliding on trade liberalization in Central Europe, see Gács (1993).

[10] Estonia and Latvia were exceptions to this statement.

[11] Interestingly import regulation on trade between the former Soviet republics during 1992-93 was generally more liberal than the regulation of exports (Michalopoulos 1993).

dominate enterprise-to-enterprise transactions (Michalopoulos 1993). Also, the institutional and policy framework for foreign investment outside of Central Europe is much less attractive, which helps explain why Hungarian, Czech, and Polish per capita foreign investment figures dwarf those of other countries in the region.

Convertibility

The introduction of a convertible currency or a significant increase in the extent of convertibility, at least for current-account transactions, is a critical element of the external transformation. Trade liberalization cannot occur if importers do not have ready access to foreign exchange, and foreign investment is unlikely to be forthcoming if profits denominated in domestic currency cannot be easily repatriated (Williamson 1991).

Contrary to popular impression, convertibility is not an all-or-nothing proposition. Currencies are more usefully characterized as embodying various degrees and types of convertibility. A currency may be convertible for current-account but not capital-account transactions (although currencies falling into the former category are regarded as convertible by the International Monetary Fund [IMF]); a currency may be convertible for individuals (households) but not for enterprises or vice-versa; and a currency may be convertible for foreign actors (either citizens or enterprises) but not for domestic actors or vice-versa. Also, the larger, more pervasive, and therefore more accepted the parallel market for foreign exchange, the greater the degree of de facto convertibility.

Movement toward convertibility in the post-Communist economies has proceeded on two general paths. The first involved currencies already in existence prior to the start of the transition (circa 1989) such as the Polish zloty, the Hungarian forint, or the Russian ruble. At the start of the transition, these economies possessed at least partially convertible currencies in that 1) parallel currency markets had been largely or completely legalized, 2) hard-currency stores and bank accounts for households and enterprises played an increasingly important role, and/or 3) a portion of the banking system's foreign exchange was allocated to enterprises via auctions. None of these currencies was broadly convertible for current-account transactions at the start of the transition, however, at least not in the standard IMF sense of convertibility. This was a result of the absence of unified exchange rates (arising from differences between official exchange rates, bank auction rates, and parallel market rates) and the presence of numerous administrative restrictions on access to and use of foreign exchange, even for entities permitted broad access to hard currencies.

Generally this state of affairs can lead to a creeping dollarization since, prior to the introduction of effective macroeconomic stabilization (which has yet to occur in most of the former Soviet Union), possession of foreign exchange functions both as a necessary, if not sufficient, condition for obtaining imports and as a hedge against inflation. Dollarization is therefore problematic in that it increases transaction costs because economic actors must possess both the domestic currency and dollars rather than simply the latter, thereby reducing efficiency; facilitates capital flight; tends to devalue the domestic currency by increasing the demand for foreign exchange; and reduces the contractionary effects of a devaluation on the real domestic money stock.[12]

Attempts at increasing convertibility in the absence of effective macroeconomic stabilization can therefore do more harm than good. This was most true in the former Soviet Union in 1991 and in Poland in 1989, owing to both the large size and/or rapid growth of the dollar economy in these countries and the extent of market imbalances. By contrast, since the dimensions of the dollar economy and market imbalances in Hungary and the former Czechoslovakia were smaller at the start of their transitions, the risks of increased convertibility were correspondingly less.

Of the countries falling into this group, Poland has made the most progress in establishing a highly convertible currency. Following the formal decriminalization of the parallel market in March 1989, near complete current-account convertibility for domestic households and enterprises was introduced in January 1990. Legislation in mid-1991 extended current-account convertibility to foreign enterprises and investors as well. Since this legislation permitted foreign investors to repatriate both capital invested and profits earned in Poland, it endowed the zloty with a measure of capital-account convertibility as well. Zloty convertibility has in fact proven to be surprisingly sustainable in light of the expansion of the significant budget deficits recorded since 1991 and the trade deficits sustained in 1991 and 1993.

By contrast, the Hungarian and Czechoslovak approaches to convertibility were more moderate. Household access to foreign exchange has remained (legally) quite circumscribed, although the sums of convertible currencies that citizens may purchase yearly from the banking system increased during 1990-93. While the black market for convertible currencies has been eradicated in Poland, the steps taken to increase forint and koruna convertibility have tended to perpetuate these markets in Hungary and the former Czechoslovakia.[13] On the other hand, there seems to be no perceptible difference in the ease with which foreign firms and investors can repatriate zloty, forint, or koruna profits.

The introduction of national currencies is the second way in which currency convertibility has been significantly increased. The Slovenian *tolar*, Estonian *kroon*, Latvian ruble (and subsequently the *lats*), and the Czech and Slovak koruny were all made convertible vis-à-vis Western currencies when they were introduced. More importantly, these governments have since maintained and sometimes deepened their currencies'

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[12] At the start of the Polish stabilization program in 1990, the dollar-denominated share of the money supply comprised 59-72 percent of the total money supply, depending on how the money supply is measured and what exchange rate is used to convert dollar balances into zloty balances (Gomulka 1992, 363).

[13] Another advantage of the Polish approach is that many of the small foreign exchange operators (*kantory walutowe*) set up to service the households' hard-currency needs have branched out into other financial services, such as security brokerage, thus providing a grass-roots deepening of the Polish financial system (Crane et al., 1993).

convertibility by pursuing effective stabilization programs. The introduction of a new currency hardly constitutes a magical solution to the problems of inconvertibility, however, as can be seen in the experience of the Ukrainian *karbovanets*, the Kyrgyz *som*, or the Russian monetary exchange of July 1993.

In any case progress in increasing currency convertibility outside of Central Europe has been halting at best. The all-too-frequent failures of macroeconomic stabilization programs in the former Soviet Union and the Balkans are the main culprits, since continuing high rates of (or hyper)inflation have prevented the liberalization of trade and domestic prices necessary for convertibility. So, even if parallel currency markets are effectively decriminalized, currency auctions introduced, and/or external and domestic liberalization pursued (as in Russia during 1992-93 or in Romania and Bulgaria since 1990), the absence of effective stabilization severely constricts the scope and utility of increased currency convertibility.

Exchange Rate Regimes

The link between convertibility and stabilization runs through exchange rate policy.[14] When stabilization programs, designed in part to support increased convertibility, are introduced (as in Poland in January 1990, Czechoslovakia in January 1991, or Russia in January 1992), ensuring that price liberalization and increased convertibility do not drain the country's foreign exchange reserves inevitably requires devaluing the domestic currency. Devaluation is thus necessary to bring the demand for foreign exchange (now greater by the domestic currency's increased convertibility, ceteris paribus) into balance with supply. Although the imperative of devaluation is generally accepted, there has been little agreement on two other important and related questions--the extent of the initial devaluation needed and the length of time during which the exchange rate should remain fixed following the initial devaluation.

At the start of the transition, inflationary pressures inherited from the old system (and thus the extent of the domestic currency's de facto overvaluation) are often substantial while foreign exchange reserves are frequently meager; therefore, significant devaluations have often been a prominent feature of initial stabilization programs. The decision to permit a large devaluation, however, is not an easy one for a number of reasons. From a purely technical point of view, predicting the magnitude of the devaluation necessary to generate a targeted improvement in the trade balance (and thus a desired increase in foreign exchange reserves) is extremely difficult, especially in a post-Communist environment of rapidly changing relative and absolute prices and institutional flux. In addition to reducing living standards, devaluations themselves introduce cost-push inflationary impulses

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[14] Conceptually the demand for even a small stock of foreign exchange can be held in check by setting a prohibitively high exchange rate in terms of domestic currency required to purchase a unit of foreign exchange. As long as the quantity of foreign exchange demanded at a given exchange rate does not exceed the quantity supplied, the domestic currency can be made convertible at that exchange rate.

into the economy by making imports more expensive. The greater the devaluation required to improve a country's external position, the stronger the inflationary impulse the stabilization program will have to contain. On the other hand, "undershooting" (devaluing the currency by too small an amount) can reduce the credibility of the entire stabilization program if the trade deficit is not corrected and foreign exchange reserves do not increase as planned.[15]

In the face of these dilemmas, policymakers have generally erred on the side of "overshooting" so that increases in inflation and trade surpluses have generally been larger than anticipated.[16] The 1990 Polish stabilization program and the 1991 Czechoslovak stabilization program were classic examples of overshooting. So was the 1992 Estonian program, which established a currency board to back the introduction of the *kroon*. On the other hand, overshooting often endowed these programs with credibility that would otherwise have been lacking. In fact, with the exception of Hungary, post-Communist countries whose initial devaluations did not feature a significant degree of overshooting have generally had markedly less success with stabilization. This is apparently because the undershooting failed to correct the domestic currency's overvaluation, which in turn prevented the requisite current-account correction. This situation not only reduces a stabilization program's credibility, it also undercuts efforts to increase currency convertibility and trade liberalization. (This pattern is apparent in most of the former Soviet Union and the Balkans.)[17] Thus the experience of 1990-93 would seem to indicate that, on balance, it is better to err on the side of overshooting in crafting the initial devaluation.

The fixed versus flexible exchange rate issue in the post-Communist transition is similar in many respects to exchange-rate policy issues in other countries. Pegging the domestic currency to the dollar, deutsche mark, or some basket of OECD currencies allows the exchange rate to serve as a "nominal anchor" in the stabilization program by forcing inflation rates for tradables down toward OECD levels. This can make stabilization programs more credible and reduce the exchange rate risks faced by foreign traders and investors. Further, the combination of nominally fixed exchange rates and inflation rates

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[15] For more on overshooting and credibility in designing and implementing programs for the post-Communist transition, see Rodrik (1989).

[16] The extent to which *ex post* overshooting has been consistent with the anticipated *ex ante* overshooting in individual countries is another matter.

[17] The horns of this dilemma have been softened somewhat for Hungary, the Czech Republic, and Poland, since these countries have been the leading recipients of foreign investment in the region. Capital inflows have helped stabilize the Central European countries' foreign exchange reserves, even when large trade deficits have been recorded (e.g., Poland and Hungary in 1993).

above OECD rates implies an appreciation of the domestic currency in real effective terms.[18] This can promote import competition and import-based restructuring and accelerate the reallocation of resources toward the most export-competitive sectors.

On the other hand, these same features mean more pain for other, less competitive sectors than would otherwise be the case, a development that can have powerful sociopolitical ramifications. Also, lower inflation rates and appreciation of the domestic currency can increase real wages, make exports generally less competitive, reduce the country's attractiveness as a site for foreign investment, and drive up unemployment. This tends to exacerbate problems with the stabilization program and the current account balance.

By contrast, because flexible rate regimes imply an emphasis on policy flexibility rather than stability, they may be better at preventing real effective appreciation. This in turn promotes exports and restrains imports, helping to improve the current-account balance. In addition, the higher inflation implied by the absence of real effective appreciation (ceteris paribus) tends to reduce real wages, thus keeping down unemployment. An undervalued currency also makes the country more attractive to foreign investors and can help some less-competitive sectors survive through export. All this tends to moderate the shock of external liberalization and can help prevent a political backlash against the overall transition. Also, flexible-rate regimes can afford a greater degree of insulation from external shocks arising from devaluation, which may be especially useful for relatively low-inflation countries (e.g., Estonia) in handling trade relations with high-inflation countries (e.g., Russia).

Stabilization programs containing flexible-rate regimes are not as credible as those with fixed rate regimes; however, since the former's implicit willingness to devalue implies more inflation (ceteris paribus). Because flexible-rate regimes can be used to keep less-competitive sectors afloat through export, they can slow the reallocation of resources away from less- to more-competitive sectors. In addition, the allure of lower costs for foreign investors may be offset by greater exchange rate risk. Finally, the devaluations associated with a flexible-rate regime also drive up the costs of debt servicing which, in light of the indebtedness facing most of the post-Communist countries, can have significant budgetary implications.

Although the fixed-versus-flexible dichotomy is a useful device for considering the options facing policymakers during the transition, this choice has only really been operational during the design of the initial stabilization program. With the exception of Estonia's currency board regime introduced in June 1992, none of the post-Communist economies, not even in the low-inflation Central European countries, has been able to

[18] The East-West trade reorientation discussed below and the insensitivity of intraregional trade flows to exchange rate changes outside of Central Europe imply that changes in real effective exchange rates with the OECD currencies, especially the dollar and the deutsche mark, are the most useful measure of exchange-rate appreciation or depreciation for the post-Communist economies.

maintain fixed-rate regimes vis-à-vis the OECD countries throughout the transition without devaluing. That is, even significant initial devaluations have not offset the need for at least moderate devaluations along the way. On the other hand, countries such as Bulgaria that have explicitly attempted to float their currencies throughout the transition have been unable to create the institutional framework required for genuine foreign-exchange markets in which the price of foreign exchange accurately reflects supply and demand. The result has been a dirty float full of central bank intervention and deviations from purchasing-power-parity exchange rates.

In practice, once the initial devaluation has been introduced as part of the stabilization program, exchange rate policies in the post-Communist economies have gravitated toward one of three regimes: a nominally fixed-rate regime (with the domestic currency tied to the dollar, deutsche mark, or some basket of currencies) in which devaluations are unannounced but of moderate magnitude, a relatively orderly crawling peg regime, or a less orderly dirty float in which nominal devaluations of large magnitudes occur in a relatively haphazard manner. The low inflation Central European and Baltic countries have adopted either the first or second regime, while the remainder of the region has fallen into the third category.

Poland introduced a large real effective devaluation in 1990 as part of the stabilization program introduced in January of that year. Because the Polish transition began in near-hyperinflationary conditions, however, the zloty appreciated dramatically in real effective terms during 1990-91.[19] This necessitated significant devaluations in May 1991, February 1992, and August 1993, despite the formal adoption of a crawling peg regime in October 1991. The zloty's real effective appreciation continued during 1992-93, however. This contributed to the appearance of a current account deficit for 1993 estimated at above $3 billion and to the high (15 percent) unemployment rate in effect at the end of 1993. On the other hand, relatively cheap imports helped moderate the decline in consumption and played a role in bringing inflation rates down to moderate (regional) levels.

Although Hungary's inflation during 1990-93 was among the region's lowest with yearly rates of 20-35 percent, the absence of significant devaluations during 1992-93 led the forint to appreciate in real effective terms. Like Poland, Hungary has therefore experienced difficulties maintaining a surplus on its trade balance,[20] and the resulting import growth helped drive unemployment up to 13 percent by the end of 1993. This combination of trade deficits and rising unemployment has generated strong protectionist pressures in both Poland

[19] According to PlanEcon the zloty appreciated against the dollar by "a staggering 136 percent in real effective terms" between January 1990 and April 1991. The zloty's real effective appreciation between January 1990 and April 1992 was 128 percent, despite the two devaluations and the adoption of the crawling peg regime in October 1991 (*PlanEcon Report* 1993, 28 April, 1-2).

[20] In contrast to Poland, however, direct and portfolio investment helped maintain Hungarian foreign exchange reserves throughout 1993.

and Hungary, but along with direct foreign investment it has also promoted industrial restructuring and helped moderate declines in real wages and consumption.

By contrast, the Czechoslovak (and subsequently Czech) koruna did not appreciate significantly in real effective terms during 1991-93. This is attributable to both the large devaluation of the koruna in October 1990 (prior to the formal introduction of the federal stabilization program in January 1991)[21] and the convergence of underlying inflation rates toward OECD rates after mid-1991. The stabilization of the koruna in real effective terms (albeit at rates well below purchasing-power-parity levels, as was also the case in Poland and Hungary) has promoted the maintenance of current-account balance and helped attract foreign investment. As a result, by the end of 1993, the Czech Republic was essentially the only post-Communist country to have attained the external and monetary stability consistent with entry into the EU's Exchange Rate Mechanism. Moreover, despite low inflation rates, real wages declined significantly during 1991-93, so the unemployment rate in the Czech Republic at the end of 1993 (around 4.0 percent) was the lowest in the region. This coincidence of factors has tended to moderate protectionist demands and has helped solidify political stability and support for the economic transition, a phenomenon that contrasts sharply with the situation in the rest of the region.

With the exception of Estonia, which by its adoption of a currency board has pursued a thoroughly fixed-rate regime since the introduction of the *kroon* in 1992, and Slovakia and Slovenia, which have essentially established fixed-rate regimes punctuated by infrequent but significant devaluations, the establishment of stable exchange-rate regimes has generally eluded the remainder of states in the region.[22] Instead the picture is one of dual-rate (official and parallel) regimes; dirty floats and frequent, haphazard devaluations; and growing dollarization and/or use of parallel currencies. Perhaps the progress recorded in Central Europe stands out most clearly in the area of exchange-rate regimes.

Progress in Regional Reintegration

The CMEA was almost universally condemned prior to its formal dissolution in mid-1991; however, the former CMEA region's unpreparedness for trade conducted at world prices and in convertible currencies virtually guaranteed that a large share of intraregional trade would pass into history along with the CMEA. Although a host of statistical problems prevent precise measurement of the declines in regional trade,[23] a 1992 study by the

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[21] The koruna was devalued again in December 1991.

[22] In Latvia central bank intervention was required during 1993 to prevent a nominal revaluation of the *lats*, apparently driven by large inflows of foreign exchange from the household sector and the second economy similar to those in Poland in 1990.

[23] These problems stem from the fact that the transferable ruble, the currency in which intra-CMEA trade flows were denominated prior to 1991, was overvalued relative to the dollar. The switch to dollar accounting for CMEA trade in 1991 therefore had the effect of devaluing intra-CMEA trade relative to

United Nations Economic Commission for Europe (UNECE) estimated that trade flows among the European CMEA countries (excluding the former Soviet Union, Yugoslavia, and Albania) declined by some 43 percent during 1989-91.[24] PlanEcon, which used a somewhat different methodology and included Albania and the former Yugoslav republics, estimated reductions on the order of another 7 percent for 1992.[25] Although country data indicate that the downward trend in Central European regional trade may have been arrested in 1992 (at least for Hungarian exports and Polish imports [see tables 3 and 4]), inconsistencies in these data across countries raise serious doubts about their credibility.[26] Preliminary data of equally dubious quality for the first months of 1993 also fail to support arguments of a turnaround unambiguously (see tables 5 and 6).

PlanEcon also reported a decline in trade between the former Soviet Union and the rest of the CMEA of 60 percent in 1991 alone, but this figure is based on ruble price data that exaggerate the extent of the decline (*PlanEcon Report* 1993, 13 March, 1). Although data problems afflicting measurement of trade are even more serious for the former Soviet republics, declines in intrarepublican trade of greater magnitude were in all probability recorded during 1991-93 (Michalopoulos 1993). These were due to the collapse of all-union economic institutions, shortage pressures, the chaotic dissolution of the ruble zone, and the overall fragmentation of intrarepublican economic relations. There were similar problems in economic relations between the Yugoslav successor states and, to a much smaller extent, between the Czech Republic and Slovakia.

These developments have often been portrayed as inherently undesirable because they contribute to the reductions in the region's aggregate economic activity. Numerous regional reintegration schemes have been proposed (but only rarely adopted), ranging from the establishment of an economic union within the framework of the Commonwealth of Independent States (CIS) (Whitlock 1993) to the formation of the Central European Free Trade Area (CEFTA) (Richter and Tóth 1993; Rudka and Mizsei 1993). Some of these proposals, such as the creation of a payments union to fund regional trade, would require Western financial assistance (van Brabant 1991; Havrylyshyn and Williams 1991).

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previous years. For more on this, see Slay (1993d).

[24] According to UNECE estimates, regional trade turnover (the sum of imports and exports divided by two) fell from $37 billion in 1989 to $21 billion in 1991. These figures are cited in Rudka and Mizsei (1994). See also Matejka (1993, 67).

[25] According to these figures, trade turnover declined from $15.8 billion in 1991 to $14.7 billion in 1992 (*PlanEcon Report* 1993, 29 June, 6, 8; and *PlanEcon Report* 1992, 21 July, 4, 7).

[26] For example, while official Czech data report a 28 percent decline in Czech exports to Poland in 1992 (table 3), official Polish data report an increase in Polish imports from the Czech Republic by some 4.8 percent (see table 4).

The goal of escaping from the post-Communist recession by increasing intraregional trade is present in virtually all these schemes; nevertheless, they conflict with other dimensions of the external transformation. Some of the decline in regional trade has been offset by rapid increases in extraregional trade, especially for the Central European countries.[27] Although improved intraregional trade relations are not inconsistent with this East-West trade reorientation, most of the former CMEA countries are clearly unwilling to pursue regional integration schemes at the expense of economic reorientation toward the West. Furthermore, another portion of the decline in regional trade reflects the cessation of "value-subtracting" activities which, when measured at world market prices, probably reduced welfare instead of increasing it. The interest groups hurt by the disappearance of these activities may be politically influential; however, restoring trade in these goods to former levels (and in their former composition) would be difficult to square with the overall goals of external transformation. Finally, although regional reintegration may increase economic activity, the policies and institutions needed to promote reintegration often conflict with the politics of the transition, especially the imperative of protecting national sovereignty. This is most apparent in the behavior of the non-Russian Soviet successor states, which must balance the economic benefits of increasing intraregional trade against the fears of renewed subordination to central or Russian hegemony.

In light of these difficulties, the fact that little progress in restoring intraregional trade on healthier economic footing was recorded during 1992-93 should not come as a surprise. To be sure, under CEFTA (introduced on 1 March 1993) trade in the majority of industrial product categories between Poland, Hungary, the Czech Republic, and Slovakia will undergo nominally symmetrical tariff reductions over the period 1993-2000. Although estimation of CEFTA-based reductions in trade protection is complicated by significant differences in nominal and effective rates of intra-CEFTA tariff protection, if regional trade data for 1991 are taken as the basis for determining the scope of CEFTA-induced trade liberalization, then duties would be abolished on about 60 percent of Polish industrial exports to Hungary and on some 53 percent of Hungarian exports to Poland. In the case of Polish-Czech trade in industrial products, the corresponding figures would be 67 and 19 percent, respectively (Rudka and Mizsei 1994).

In any case the momentous and contentious institutional changes taking place within these countries imply that regional reintegration will not occur overnight. If the evolution of the EU is any guide, the construction of new, healthier (re)integrating mechanisms is likely to be a long-term proposition. The significance of CEFTA should therefore not be judged in terms of its ability to reverse the declines in Central European trade quickly, especially since the implementation of the CEFTA agreement probably did not halt the decline in regional trade during the first half of 1993. Nor could CEFTA prevent major

[27] Brada and others have argued that, judging by efficiency criteria, intra-CMEA trade under the CMEA was too high relative to extraregional trade. Seen in this context, post-1990 declines in intraregional trade flows also seem inevitable and desirable (Brada 1993). This argument, however, is less powerful when applied outside of Central Europe, especially to most of the former Soviet republics.

reductions (estimated at up to 50 percent relative to 1992 levels) in Czech-Slovak trade in the first half of 1993, following the formal dissolution of the Czech and Slovak Federative Republic. Furthermore, if and when the declines in Central European trade give way to growth, this growth may still be overshadowed by the expansion of extraregional trade flows. Indeed the relative insignificance for Poland and Hungary of trade with the other CEFTA countries (see tables 1 and 2) implies that CEFTA-induced increases in regional trade (if and when they come) are unlikely to have a significant economic impact. Instead the importance of CEFTA lies mostly in the prospects it offers for general regional reintegration. Since pursuit of intra-CEFTA economic integration also implies a recognition of the importance of closer coordination of macroeconomic, trade, and, ultimately, regulatory policies, the Višegrad governments' pursuit of this course can be seen as another demonstration of their commitment to economic transformation. The interest in joining CEFTA expressed by neighbors to the south and east is a further illustration of its appeal.

Beyond Central Europe, prospects for regional economic reintegration continued to look grim into 1994. In the successor states to the Soviet Union and Yugoslavia, regional reintegration is encumbered by the continuing chaos of the former ruble and dinar zones. Because formal monetary union combined with de facto national autonomy in fiscal and monetary policies has proven to be incompatible with macroeconomic stabilization and external and domestic liberalization, the preconditions for reintegration on a healthier economic footing continued to be absent into 1994. This was most apparent in the former Soviet Union, where at least a portion of the austerity measures introduced in Russia during 1992-93 (especially in the first half of 1992) were offset by expansive monetary and credit policies in other members of the former ruble zone. Hyperinflationary monetary policies in a monetary union's dominant economy invariably mean hyperinflation for smaller economies as well, as the Baltic states discovered in 1991. And while withdrawal from the monetary union affords a measure of insulation from these macroeconomic disturbances, the ensuing proliferation of currencies can create further barriers to trade. This was apparent following the introduction of the Kyrgyz *som* in 1993 and in the aftermath of the collapse of the Czech-Slovak monetary union in February 1993 (Pehe 1993).[28] The introduction of national currencies or coupons such as the Ukrainian *karbovanets* that circulate parallel to the ruble and quickly depreciate relative to it was another common result of unilateral withdrawal from the ruble zone.

These problems need not be insurmountable. The introduction of the Estonian *kroon* in June 1992 has been remarkably successful. Inflation rates have fallen toward Central European levels, and the *kroon* has remained highly convertible against Western currencies. It should be remembered, however, that the Estonian solution cannot be a permanent one because the currency board regime upon which *kroon* convertibility is based cannot be sustained indefinitely. Not only is the policy of pegging the *kroon* to the deutsche mark

[28] The proliferation of currencies could be an especially important trade barrier in Central Asia and the Caucasus, where national currencies were introduced in an uncoordinated and somewhat helter-skelter manner during the second half of 1993.

tantamount to transferring control over Estonia's monetary policy to the Bundesbank, the direct link between the country's foreign exchange reserves and the domestic money supply leaves almost no room for discretionary macroeconomic policy. Nonetheless, as a method for endowing credibility upon Estonia's reform efforts, the currency board has been an immense success.

Because the Russian monetary exchange of July 1993 meant the forcible and rather abrupt removal of the non-Russian republics from the ruble zone, it could have marked the end of the ruble zone. That is, even if non-Russian republics had chosen to use "old" (pre-1993) rubles internally, acquisition of new Russian rubles could in theory only have occurred by generating trade surpluses with Russia or by accepting Russian-directed "coordination" of macroeconomic policy and financial supervision. This could have allowed the Russian government to acquire much greater control over its domestic money supply, thereby freeing it from the burden of the ruble zone. Furthermore, by choosing to readmit some CIS members into a "new" ruble zone selectively--that is, on Russia's terms[29]--the exchange could also have provided Russia with a powerful new foreign policy weapon in its dealings with the "near abroad."

The ruble exchange, however, cannot serve both ends simultaneously. Unless non-Russian members are willing to cede complete control over not only their fiscal and monetary policies but also their banking systems to Moscow, the incentives and capacity for unauthorized monetary emissions will remain. In particular it is difficult to imagine non-Russian members of a "new" ruble zone either formally acceding to such control, since this would be tantamount to a transfer of national sovereignty back to the much-despised "center," or resisting the temptation to inflate covertly after readmission, since part of the inflationary costs would be borne by other ruble-zone countries. This implies that the most likely result of even selective readmission to the new ruble zone would be a continuation of the old ruble zone's problems.[30]

From the perspective of external transformation, the best outcome of the monetary exchange would have been reduced difficulties for stabilization efforts in Russia.[31] The forced removal from the ruble zone of those republics that had not previously left could also have imposed a greater degree of fiscal and monetary responsibility on them. Both of these developments are in fact preconditions for the eventual economic reintegration of the

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[29] As of January 1994, agreements for readmission to the ruble zone seemed to have been worked out with Belarus and Tajikistan.

[30] The above assumes that macroeconomic stabilization remains a key goal of Russian economic policy which, in light of developments since the Russian parliamentary elections, is a doubtful proposition.

[31] In light of the domestic (mostly political) problems the Gaidar and Chernomyrdin governments faced in attempting to maintain monetary and fiscal austerity during 1992-93, however, reacquisition of the monetary reins is unlikely, by itself, to reduce Russian inflation rates rapidly, especially given the results of the December 1993 parliamentary elections.

former Soviet republics on a sounder footing. In the short term, however, the precipitate manner in which the dissolution of the old ruble zone occurred, the rapid and uncoordinated introduction of national currencies that ensued in the non-Russian republics, and the subsequent willingness to readmit at least Belarus under unclear financial conditions have largely served to disrupt economic relations between the Soviet successor states further.

Since the prospects for avoiding a chaotic end of the ruble zone were never very promising, its liquidation in late 1991 or early 1992 would in all likelihood have been preferable to the almost-two-year interregnum of economic dislocation that resulted prior to the Russian monetary exchange. On the other hand, as the events since July 1993 have shown, the Russian government itself cannot decide whether maintaining the ruble zone is in its interest. It is apparently unable to choose between creating the independence needed for effective macroeconomic stabilization and external transformation and using the ruble zone to strengthen its neoimperial control over the "near abroad." Until this schizophrenia is sorted out in Moscow, prospects for the post-Communist economic transformation in Russia remain too murky to make any predictions.

Geographic Redirection of Trade

One of the most striking features of external transformation in Eastern Europe is the extent to which trade flows have been diverted from the former CMEA area toward the OECD countries, especially the EU and EFTA regions (see tables 1 and 2). In part this redirection is itself a consequence of the above-mentioned declines in intraregional trade. The redirection is also partially statistical in nature, since the same transition to hard-currency financing within the former CMEA in 1991 that magnified reductions in intraregional trade also exaggerated the shift toward the OECD countries. Whatever its true dimension, this shift is undoubtedly one of the most favorable results of the external transformation. Not only have extraregional trade flows increased significantly (in both volume and value terms) for many of the post-Communist countries, these increases have occurred according to the logic of specialization through comparative advantage. Western imports that were previously unavailable to either consumers or enterprises have increased significantly, helping to close the technological gap and integrate the former CMEA countries into the international economy.

Predictably the largest geographical redirection of trade occurred in the Central European Višegrad countries (Poland, Hungary, the Czech Republic, and Slovakia). By the end of 1992, only about 11 percent of Polish exports came from the former CMEA countries, while some 72 percent of Polish exports went to OECD markets. The relevant shares for Hungary were 22 percent and 65 percent; and for Slovakia 30 percent and 66 percent, respectively.[32] By contrast, in 1992 some 42 percent of Bulgarian exports still went

[32] The relatively great importance of pre-1993 intraregional trade for the Czech Republic and Slovakia depicted in tables 1 and 2 is somewhat misleading, since these shares include Czech-Slovak flows. Reductions in Czech-Slovak trade during 1993 imply that the importance of regional trade for the Czech

to the former CMEA countries (*PlanEcon Report* 1993, 29 June, 16, 48, 60, 96). Among the former Soviet republics, only Estonia and Latvia effected a significant trade reorientation during 1992-93. According to one estimate, exports to the West and the other Baltic republics constituted 66 percent of total Estonian exports in 1992; for Latvia the figure was 59 percent (Sorsa 1993, 8). This redirection is extremely important in light of the Balts' previous dependence on trade with the former Soviet republics, especially in terms of energy imports from Russia.[33]

The agreements on associate membership in the EU signed by Poland, Hungary, and Czechoslovakia[34] in November 1991 and the accords concluded with EFTA on free trade in manufactures during 1992-93 also facilitated this Central European realignment. By the end of 1993, the EU and EFTA had concluded broadly similar agreements with Romania and Bulgaria as well.[35] The EU association agreements have not proven to be a panacea, however, even for the Višegrad countries.[36] Although downward trends in Polish and Hungarian exports to the EU during 1993 are attributable to many factors (including the real effective appreciation of the zloty and forint, the West European recession, and growing protectionism), they do raise some doubts about the agreements' abilities to promote Central European export growth in the medium and long term. Indeed the EU's unwillingness to consider the liberalization of agricultural trade seriously and its propensity to apply antidumping penalties to a variety of Central European manufactured exports during 1992-93 (not to mention its willingness to erect such informal trade barriers as the infamous ban on East European beef and cattle exports in April 1993) do not bode well for East European export prospects in such categories as iron and steel, footwear, clothing, and chemicals (Richter 1993). Those East European exports that could be classified under EU association agreements as "sensitive" and therefore easily subject to antidumping penalties

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Republic, and perhaps Slovakia, had probably converged toward Polish and Hungarian levels by the end of the year.

[33] According to a World Bank study, the terms-of-trade shock associated with the Russian policy goal of charging world prices for energy exports could have reduced the Baltic Republics' (and Moldova's) GDP by some 10-15 percent if the smaller republics' trade flows had not been redirected away from the former Soviet Union toward the OECD countries after 1990 (Michalopoulos 1993, 9).

[34] The associate membership status of Czechoslovakia was formally inherited by the Czech Republic and Slovakia in late 1993.

[35] For more on the East European relationship with EFTA, see Baldwin (1992) and Brada (1993).

[36] In practical terms the significance of the EU association agreements for the East European countries dwarfs that of the free trade agreements negotiated with EFTA, owing to the latter's relatively small share in East European trade. Thus disappointment with the EU association agreements has been a much larger source of concern for the East European countries.

constitute a significant share of total East European exports to the EU.[37] There is little danger that Eastern Europe will become involved in fierce trade imbroglios with the EU concerning exports of those products in which it has a comparative advantage. Rather, as Winters points out, the problem is that the knowledge that EU antidumping strictures can be easily applied will deter the export-oriented restructuring that the East European economies so desperately need (Winters 1993). Some studies have gone so far as to argue that the Generalized System of Preferences (GSP) framework under which trade with the EU was conducted during 1989-91 was more favorable to Hungary than the association agreement framework in effect since March 1992 (Inotai 1993; Inotai and Stankovsky 1993).[38] In effect West European trade policy toward Central and Eastern Europe during 1992-93 has been characterized by the same schizophrenia apparent in its security posture vis-à-vis the region--strongly supportive rhetoric that has not been matched in concrete actions. The long-term consequences of this schizophrenia remain to be seen.

Conclusion

The post-Communist countries that have made the most progress in external transformation have done so in different ways; however, a number of common lessons can be drawn from their experiences. First, although differing initial conditions have obviously had a critical impact upon the results of the transformation programs, the Central European and Baltic countries that have made the most progress have done so from a variety of different starting points. For example, the Czechoslovak economy in 1989 combined relatively high macroeconomic and external balance with very tight central controls over trading activities. By contrast, in 1989 Poland (along with Hungary) featured one of the region's most liberal external regimes and dramatic macroeconomic and external disequilibria. Despite these differences, by the end of 1993, external transformation had produced quite similar results in both countries, especially if the Czech Republic is considered the successor to Czechoslovakia. Both Poland and Czechoslovakia (and subsequently the Czech Republic) had significantly increased the degree of currency convertibility, undergone far-reaching trade liberalization, and dramatically redirected trade away from the former CMEA region toward the OECD countries.[39] Likewise, the progress in external transformation recorded in Estonia and Latvia during 1992-93 was remarkable, especially in light of the extremely difficult initial conditions (e.g., the terms-of-trade shock

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[37] According to some estimates (based on 1989 trade data), these shares were 57.8 percent for Hungary, 50.2 percent for Bulgaria, 44.8 percent for Czechoslovakia, 43.8 percent for Poland, and 32.6 percent for Romania (Rollo and Smith, 141-51; cited in Richter 1993).

[38] For more on the restrictiveness of EU trade policies vis-à-vis the Višegrad countries, see Kaminski (1993), Winters (1993), and Brada (1993).

[39] To be sure, important institutional, policy, and performance differences between the Polish and Czech cases such as differing exchange rate regimes, degrees of currency convertibility, or attractiveness to foreign investment remained. These differences, however, should not be allowed to obscure the many broad similarities between the two countries.

associated with rising energy prices and the problems of extrication from the ruble zone). By contrast, while Russia initially enjoyed much more advantageous external conditions than the Baltic states, these advantages were largely wasted during 1992-93.

Although the Central European and Baltic success stories sprang from a variety of different economic and noneconomic factors, two common elements stand out--effective macroeconomic stabilization and the liberalization of the domestic price system and economic activity. By the end of 1993, only the Czech Republic had reduced core inflation to levels approximating OECD rates; however, macroeconomic stabilization in Hungary, Slovakia, Slovenia, Estonia, Latvia, and Poland had largely vanquished the specter of hyperinflation. This in turn allowed decontrolled prices to perform their allocative function, giving entrepreneurs and traders incentives to move resources out of speculative, inflation-hedging activities into more productive uses. Under these conditions trade liberalization and increased convertibility proved compatible with stable exchange-rate regimes and significant improvements in export performance. Success in external transformation in turn promoted stabilization, liberalization, privatization, and demonopolization, creating something of a virtuous circle in the post-Communist transition. By contrast, none of the post-Communist countries where macroeconomic stabilization efforts failed was able to achieve a critical mass in external transformation. These failures in turn magnified the difficulties faced in the domestic transition.

To be sure, the external progress made during 1990-93 in Central Europe has been far from complete. Problems are apparent in three areas: import regulation became less liberal after 1991; Poland, Hungary, and Slovakia apparently recorded reductions in exports during 1993; and foreign investment remained well below expectations outside of Hungary and the Czech Republic. These are very serious problems; and, if not corrected, they could still undermine much of the progress in external transformation already made (Slay 1993b). On the other hand, although tariff and nontariff trade barriers have certainly increased in significance since 1990-91, it must be remembered that the trade liberalization introduced in those years was, by international standards, quite rapid and far-reaching, especially in Poland and Czechoslovakia. Some slippage may therefore have been inevitable. In light of this, the scope of the dramatic liberalization of 1990-91 may have been fortuitous in that it ensured that trade regimes would remain relatively open, even after some slippage occurred.

It can also be argued that these problems are not really (or solely) the fault of the Central European governments. The OECD countries, and especially the EU, may also be partly responsible for the backsliding in trade liberalization, as well as for the declines in some Central European countries' exports in 1993.[40] The EU's unwillingness to open its markets significantly to Central and East European steel, textile, clothing, footwear, and agricultural imports limits these countries' export prospects and plays into the hands of

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[40] For an assessment of the effects of protectionism in the OECD countries on East European trade prospects, see *PlanEcon Report* 1993, 29 June, 13, 15.

protectionist forces within the post-Communist economies themselves. The 1992-93 recession in Western Europe constricted export prospects and dampened a major source of foreign investment. Likewise, although even the Central European countries remain less attractive sites for direct foreign investment than many newly industrializing countries in Asia and, increasingly, Latin America, there is little that Central European governments can do to counter foreign investors' perceptions of general regional instability, much of which focuses on developments within the former Soviet Union. In any case the fact that serious problems in external transformation in Central Europe remain should not overshadow the important progress that has been made.

Finally, as the above discussion of regional instability points out, prospects for external transformation in many of the post-Communist economies (with the possible exception of Russia) depend heavily upon developments beyond these countries' control. In early 1994 most of the former Soviet bloc finds itself caught between supportive Western rhetoric that has not been matched by actions and an increasingly bellicose Russia that simultaneously demands rapid entry into the "common European home" while attempting to restore its imperial control over much of the "near abroad." The schizophrenia apparent in West European economic and defense policies toward Eastern Europe is increasingly mirrored by a second (albeit quite different) schizophrenia in Russia's economic relationship vis-à-vis the CIS. In the aftermath of the Russian parliamentary elections, the neoimperialist tendency is clearly dominant over the tendency toward economic reform, as was apparent in the mid-January resignations of Yegor Gaidar and Boris Fyodorov from the government of Viktor Chernomyrdin. As with many other developments in the region, the fate of external economic transformation in many of the post-Communist economies may be determined by forces beyond these countries' control.

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TABLES

TRENDS IN EAST EUROPEAN TRADE, 1991-93
(All of the following tables are based on PlanEcon Data)

Table 1
Destination of Exports, 1992

Country / Trading Group:	Višegrad	Former CMEA[a]	OECD	EU	Other
Czech Republic	36.7%	45.5%	47.3%	36.4%	7.2%
Hungary	4.0%	22.9%	70.5%	49.8%	6.6%
Poland	5.1%	16.3%	72.2%	57.9%	11.5%
Slovakia	52.4%	64.3%	29.5%	22.3%	6.2%
Bulgaria	5.6%	41.8%	42.3%	30.8%	15.9%
Romania	2.7%	23.7%	47.9%	32.6%	28.4%
Slovenia	3.5%	29.9%	66.1%	54.9%	4.0%

[a]Includes the republics of the former Soviet Union, the Višegrad countries, Albania, Bulgaria, Romania, and the former Yugoslavia.

SOURCE: *PlanEcon Report* 1993, 29 June, 18, 40, 50, 62, 72, 88, 98.

Table 2
Sources of Imports, 1992

Country / Trading Group:	Višegrad	Former CMEA[a]	OECD	EU	Other
Czech Republic	29.0%	45.2%	50.1%	33.7%	4.7%
Hungary	5.9%	24.9%	69.2%	42.7%	5.9%
Poland	4.0%	17.0%	72.5%	53.1%	10.5%
Slovakia	53.5%	72.2%	25.4%	16.8%	2.4%
Bulgaria	3.3%	37.1%	46.5%	32.6%	16.4%
Romania	1.4%	24.1%	52.8%	37.6%	23.1%
Slovenia	4.7%	29.3%	66.3%	50.1%	4.4%

[a]Includes the republics of the former Soviet Union, the Višegrad countries, Albania, Bulgaria, Romania, and the former Yugoslavia.

SOURCE: *PlanEcon Report* 1993, 29 June, 18, 40, 50, 62, 72, 88, 98.

Table 3
Growth in Intra-Višegrad Exports, 1992

Shipped By: / Shipped To:	Czech Republic	Hungary	Poland	Slovakia
Czech Republic	—	1.3%	-28.0%	-4.5%
Hungary	45.4%	—	-32.1%	18.3%
Poland	-26.0%	55.8%	—	-32.3%
Slovakia	-12.8%	11.0%	-44.1%	—

All figures in million current U.S. dollars.

SOURCE: *PlanEcon Report* 1993, 29 June, 40, 50, 62, 88.

Table 4
Growth in Intra-Višegrad Imports, 1992

Shipped To: / Shipped By:	Czech Republic	Hungary	Poland	Slovakia
Czech Republic	—	7.7%	-8.2%	-13.4%
Hungary	-3.0%	—	-16.8%	5.6%
Poland	4.8%	5.1%	—	-19.3%
Slovakia	-3.8%	-11.7%	-15.6%	—

All figures in million current U.S. dollars.

SOURCE: *PlanEcon Report* 1993, 29 June, 40, 50, 62, 88.

Table 5
Growth in Intra-Višegrad Exports, 1993

Shipped By: / Shipped To:	Czech Republic	Hungary	Poland	Slovakia
Czech Republic	---	-6.8%[a]	-39.8%[a]	-44.9%[b]
Hungary	-1.7%[c,d]	---	-10.0%[c]	-1.7%[c,d]
Poland	5.8%[e]	-16.9%[e]	---	n.a.
Slovakia	-32.0%[e]	-3.0%[e]	n.a.	---

[a]Jan.-Apr. 1993.
[b]Jan.-May 1993.
[c]Jan.-Jun. 1993.
[d]Aggregate data for both Czech Republic and Slovakia, not disaggregated by country.
[e]Mirror data taken from partner country.

All figures in million current U.S. dollars.

SOURCES: *PlanEcon Report* 1993, 23 July, 20-22; and *PlanEcon Report* 1993, 17 September, 24-25.

Table 6
Growth in Intra-Višegrad Imports, 1993

Shipped To: / Shipped By:	Czech Republic	Hungary	Poland	Slovakia
Czech Republic	---	16.2%[a]	5.8%[a]	-32.0%[b]
Hungary	-3.0%[c,d]	---	-16.9%[c]	-3.0%[c,d]
Poland	-39.8%[e]	-10.0%[e]	---	n.a.
Slovakia	-44.9%[e]	-1.7%	n.a.	---

[a]Jan.-Apr. 1993.
[b]Jan.-May 1993.
[c]Jan.-Jun. 1993.
[d]Aggregate data for both Czech Republic and Slovakia, not disaggregated by country.
[e]Mirror data taken from partner country.

All figures in million current U.S. dollars.

SOURCES: *PlanEcon Report* 1992, 23 July, 20-22; and *PlanEcon Report* 1993, 17 September, 24-25.

Table 7
East European Trade Developments, January-May 1993

Country	Change in Imports	Change in Exports
Czech Republic	24%	12%
Hungary	-2%[a]	-27%[a]
Poland	18%	-10%[a]
Slovakia	-30%	-32%[b]
Bulgaria	-19%[b]	-20%
Croatia	91%[c]	-11%[c]
Romania	-8%	-6%
Slovenia	8%	-15%

[a]Data for Jan.-Apr. 1993.
[b]Data for Jan.-Mar. 1993 (trade with Czech Republic included).
[c]Data for Jan.-Feb. 1993.

All data are for trade in current U.S. dollar prices.

SOURCE: *PlanEcon Report* 1993, 23 July, 1-2.

BIOGRAPHICAL NOTE

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