

EUROPEAN INTEGRATIONAL PROCESSES AND THE COUNTRIES IN TRANSITION

- with Special References to Croatia and Former Yugoslavia

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(1) Introductory remarks

All countries of the post-socialist world are in the process of implementing the economics and politics of transition. This process comprises in particular the transition of the ownership, of the market, and of the political structure. Transition of the business firms and the development of the entrepreneurship, as well as the transition of the entire macro-economic environment (in the direction of the Hard Budget Constraints), are also an important segment of the economics and politics of transition.

By implementing this policy the countries in transition are aiming at restoring those historical and civilizational trends that had been interrupted by the socialism from its first day. In this way the countries in transition are striving to come closer to the quality of human life existing in the developed countries of the market economy and western democracy. To this end they are endeavouring to enhance economic efficiency and to promote the policy of democratization, including the function of social state and the law system that will safeguard all human rights and freedoms.

While developing a contemporary democratic society all countries in transition are also striving to be included into the European integration processes as soon as possible. Some of these countries are also contemplating different variants and models of the "state and economy of welfare" in order to obtain the green light to open the talks on the integration in the European Union.

However, different countries in transition are prepared to a different degree to execute the economy and policy of transition. These differences will probably influence the dynamics of the inclusion into the European integration processes in general and in the European Union in particular.¹

(2) Transitional crisis

All countries in transition are in a very difficult transitional crisis. This crisis is demonstrated especially by a drastic fall in production, consumption, personal incomes, employment and in the living standard as a whole. Many countries in transition have been struggling, and some are still struggling, with an escalating inflation. Different manifestations of the transitional crisis are dealt with in numerous comparative studies and publications. I would like to point out particularly the publications of the Vienna Institute for Comparative Economic Studies, where I have been active for many years as a member of the International Steering Committee which coordinates the activity of the international project "European Economic Interaction and Integration". The data I will utilize in examining the transitional crisis in next pages are taken from the work of this Institute.²

¹ *Economics and politics of transition has been attracting the attention of several international academic meetings. I will mention some books containing the contributions to the meetings in which I myself took part: (1) Christopher T. Saunders (ed.) et al.: "Economics and Politics of Transition", Macmillan in association with the Vienna Institute for Comparative Economic Studies, London 1992; (2) Christopher S. Saunders (ed. et al.): "The Role of Competition in Economic Transition", Macmillan, London 1993; (3) Laszlo Somogyi (ed. et al.): "The Political Economy of the Transition Process in Eastern Europe", Edward Elgar, Vermont 1993; (4) Christopher T. Saunders (ed. et al.): "Transformation of the East European Economies 1989-1993: Critical Assessments and Ways Out of the Crisis", to be published, Macmillan, London 1994.*

² *Gabor Hunya et al.: "Central and Eastern Europe: Uneven Recovery", published in "The Economic Situation in Central and Eastern Europe and the Main CIS States in 1993 with an Outlook for 1994", the Vienna Institute for Comparative Economic Studies, No. 204, Vienna, February 1994.*

Table 1
GROSS DOMESTIC PRODUCT
 real change in % against preceding year

	1990	1991	1992	1993 estimate ¹	1994 estimate ¹
Czech Republic	-1.2	-14.2	-7.1	-1	2
Hungary	-3.5	-11.9	-4.5	-2	1
Poland	-11.6	-7.6	1.5	4	4
Slovak Republic	-2.5	-11.2	-7.0	-5	-2
Slovenia	-4.7	-9.3	-6.0	0	2
CEE 5 ²	-6.8	-10.1	-2.5	1	2
Bulgaria	-9.1	-11.7	-7.7	-5	-2
Romania	-5.6	-12.9	-13.6	0	-2
CEE 7 ²	-6.8	-10.8	-5.2	0	1
Croatia ³	-9.3	-28.7	-23.6	-11	-6
Russia	-2.0	-12.9	-18.5	-13	-7
Ukraine	-2.6	-11.2	-15.0	-15	-12

CEE - Central and Eastern Europe 1) WIW - Wiener Institut fuer Internationale Wirtschaftsvergleiche; 2) WIW estimate; 3) Gross Material Product.

Source: National statistic and WIW estimates.

The movement of the social product in the countries in transition reflects the deepness of the transitional crisis (Table 1). In 1990 already all these countries suffered an outspoken fall in the social product. The greatest fall was in Poland, Croatia and Bulgaria. In 1991 this fall was even more pronounced, and in some countries, especially in Croatia, it was drastic. The fall continued in 1992, but in most countries it was more moderate. The only exceptions are Rumania, Russia and Ukraine. In this year, however, Croatia had the largest decline in the social product.³ In 1993 the fall was getting milder. It was Poland that, as a

³ The reasons for such a drastic fall in the social product in Croatia are wellknown and are connected (in addition to the large problems of the transitional restructuring) with the war and war destructions. For a more detailed account see Željko Rohatinski (ed. et al.): "Croatian Economic Survey", The Institute of Economics Zagreb and National Bank of Croatia, Zagreb, 1993, pp. 95-120.

first country in transition, achieved a break in this falling trend and attained an increase in social product of 4%. Slovenia and Rumania have halted the decline in social product. The outlook for 1994 is somewhat more optimistic. Some countries foresee a further attenuation of the negative growth rate while in some other countries a slight increase is expected. The only exception is Rumania.

The largest weight to such movements of the social product was contributed, as usual, by industrial production (Table 2). In 1990 and 1991 all countries in transition showed negative growth rates in industrial production. This is also true for 1992 with the exception of Poland. Estimates for 1993 are slightly better and Poland is joined by Hungary with a rise in industrial production of 4%.

Table 2
INDUSTRIAL PRODUCTION
 real change in % against preceding year

	1990	1991	1992	1992	1993	1993	1994
				Jan-Sept	estimate ⁷	forecast ⁸	
Czech Republic ¹	-3.3	-24.4	-10.6	-16.2 ⁴	-5.2	5	0
Hungary	-5.0	-19.1	-9.8	-13.1	4.3	4	4
Poland ²	-24.2	-11.9	3.9	1.2	7.8	7	7
Slovak Republic ³	-4.0	-25.4	-13.7	-12.5	-14.7	-14	-5
Slovenia	-10.5	-12.4	-13.2	-15.3	-4.7	3	-1
CEE 5 ⁵	-14.2	-17.1	-3.8	-6.9	1.4	1	3
Bulgaria ⁶	-17.6	-23.3	-21.9	-20.0	-9.7	6	-4
Romania ²	-19.0	-19.6	-22.0	-23.5	-1.8	-2	-2
CEE 7 ⁴	-15.6	-18.4	-9.8	-11.9	-0.6	-1	1
Croatia	-11.3	-28.5	-14.6	-22.4	-3.7	-6	-2
Russia	-0.1	-6.0	18.8	-17.6	-16.5	-17	-10
Ukraine	-0.8	-4.8	-9.0	-9.8	-7.8 ⁸	-20	-12

CEE - Central and Eastern Europe; 1) WIW; 2) 1991 enterprises with more than 100 employees, since 1992 enterprises of all sizes; 3) Enterprises with more than 25 employees; 4) Sales; 5) WIW estimate; 6) Public sector; 7) Since 1991, in comparable worktime; 8) - 21% for main industrial products in physical units.

Source: National statistics and WIW estimates.

According to the prognosis for 1994, Hungary and Poland will continue with a rise in industrial production, while all other countries in transition, except the Czech Republic, will show a mild and Russia and Ukraine a more pronounced decline.

Such movements in social product and industrial production have determined the overall economic situation, as demonstrated by the main economic indicators in all countries in transition. Special problems have arisen in all spheres of consumption and in the general standard and quality of life. Unemployment rates are very high, between 10% and 17% in 1993. The predictions for 1994 are still worse. Some countries, like Russia and Ukraine, have still very low unemployment rates. This may be taken as an indicator that the actual transitional restructuring in these countries has not yet started.

All countries in transition are attempting to carry out a macroeconomic stabilization policy. For this purpose they are trying to create a macroeconomic environment based on the principles of the "hard budget constraints". Special efforts are directed at the consolidation of the state budget. Best success in this respect have been reached by the Czech Republic, Hungary, Poland and Slovenia and recently by Croatia as well.

Most countries in transition have a negative foreign trade balance. This situation is further aggregated, especially in some countries (Hungary, Poland) by huge foreign debts. Comparative surveys of all these problems are given in tables (1-11) in the annex to this paper. The data in these tables show the weight and deepness of the crisis all countries in transition have been undergoing. The complexity of this crisis has almost no precedent in the recent history of our civilization. One could say that the great world crisis of the 30's was an operetta in comparison with the difficult drama with which all the countries in transition are beset to-day.

Those problems, however, do not affect only the interests of the countries in transition. Due to the overall importance of these countries their problems directly and indirectly affect Europe and the rest of the world. That is why the speed of the transitional restructuring (in the sense of increasing economic efficiency and political democratization and of developing a modern society) will depend both on the countries in transition themselves and on their broader European and world surroundings.

The aim of all countries in transition is to be included at the earliest possible date into the European integration processes. However, as was already mentioned, in view of a different degree of readiness of individual countries for the transition processes the dynamics of their inclusion in these processes will be probably very different. The events in former Yugoslavia at the beginning of 90's have changed some earlier evaluations on possible priorities and sequences of the inclusion of individual countries in transition into European integration processes.

(3) Countries in transition and European integration processes

From the experience of the European integration processes it may be generally concluded that the countries aspiring to be admitted to the European Union have to satisfy a whole range of criteria. In a somewhat simplified form these criteria might be put in two groups.

The First group belongs to the economic sphere and the second to the social and political sphere. As a synthetic measure for the economic sphere the level of economic development may be used, or more precisely, the per capita social product.

A possible synthetic measure for the social sphere cannot be so concrete. It can be probably best expressed by the level and degree of the overall welfare and the quality of human life. In addition to the material welfare this approach gives a great significance to the

protection of human rights and freedoms. In practice it boils down to different variants of the model of the "state and economy of welfare".

One of the first international conference when estimates were implicitly made concerning a possible sequence of the inclusion in European integration processes was held in the organization of the Hoover Institution 8-10, May 1991 in Stanford. The topic of the conference was "The Economic Transition in Central and Eastern Europe". Academic people and politicians from all countries in transition took part. Three American economists Nobel-prize winners (Milton, Friedman, Kenneth Arrow and George Stigler), as well as Jeffrey Sachs and George Shultz were also among the participants. At the end of the conference G. Schultz gave some concluding evaluations. In outlining the achievements of individual countries in implementing the economy and policy of transition he put in the first place Hungary and Poland, closely followed by Chechoslovakia, whereas Rumania and Bulgaria lagged considerably behind. Finally, turning to me he said that he did not include us in the same category as the former real-socialist world. In his opinion, if we succeed in resolving our internal problems without greater conflicts (i.e., achieving independence without war), we would continue to be in the forefront as far as the economics and politics of transition and the attaining of an overall democratization are concerned).⁴

Although the nice wishes of George Shultz did not come true, the fact is that Slovenia and Croatia, thanks to their long reform tradition, are to some extent better equipped to carry out the economics and politics of transition than some other countries of the post-socialist world. Furthermore, the predictions of G. Shultz have been, on the whole, confirmed in the case of Hungary and Poland (including also the Czeck Republic). As for the region of former Yugoslavia, it is evident that in addition to Croatia (which is unfortunately still in war) it is Slovenia that

⁴ *Contributions for this conference, including the paper of this author on the transitional processes in former Yugoslavia, have been mimeographed in the Hoover Institution, Stanford, May 1991.*

has a greatest advantage for the achievement of transition and for a potential inclusion into European integration processes.

In assessing the outlook of different countries to attain a quicker or slower inclusion into European integration processes it is interesting to compare their level of development in terms of per capita social product (Table 3). The data in this table may be of a double interest. First, they show the dynamics of the social product in the ex-socialist countries in the period preceding the transition. Second, they are based on the application of the method of physical indicators which may have some advantage in comparing these countries in the macroeconomic environment in the years preceding the start of the policy of transition.

Significant differences may be noticed at first glance in the level of development among various countries in 1991 as compared with 1985. However, in analyzing these changes we must keep in mind that they result not only from the differences in the development performance but also from the movements of the American dollar. Besides, this was a period when some ex-socialist countries (e.g. former Yugoslavia) were in a deep economic crisis. Therefore, it is probably more appropriate and more realistic to compare the development levels of the countries in transition using the data on per capita social products calculated by the method of the internal purchasing power (Table 4).

Table 3.
**EXTRAPOLATION OF BENCHMARK (1985) GDP
 PER CAPITA PIG ESTIMATES**
 in current international dollars

Year	1985	1986	1987	1988	1989	1990	1991
Bulgaria	7474	8021	8165	8495	8871	8384	6909
CSFR	8153	8516	8844	9275	9752	9832	9114
GDR	8993	9365	9813	10250	10896	9383	6765
Hungary	7431	7800	8100	8570	8815	8867	8696
Poland	6441	6740	6771	7080	7268	6640	6155
Romania	5852	6184	6283	6570	6716	6066	4998
USSR	7328	7744	8002	8368	8781	8945	8292
Yugoslavia	6022	6370	6478	6653	6829	6455	5319
USA	12870	13482	14223	15196	16137	16947	17804
Austria	10682	11080	11633	12476	13535	14641	15532
	USA = 100						
Bulgaria	58.1	59.5	57.4	55.9	55.0	49.5	38.8
CSFR	63.3	63.2	62.2	61.0	60.4	58.0	51.2
GDR	69.9	69.5	69.0	67.5	67.5	55.4	38.0
Hungary	57.7	57.9	56.9	56.4	54.6	52.4	48.8
Poland	50.0	50.0	47.6	46.6	45.0	39.2	34.5
Romania	45.5	45.9	44.2	43.2	41.6	35.8	28.1
USSR	56.9	57.4	56.3	55.1	54.4	52.8	46.6
Yugoslavia	46.8	47.2	45.5	43.8	42.3	38.1	29.9
USA	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Austria	83.0	82.2	81.8	82.1	83.9	86.4	87.2
	Austria = 100						
Bulgaria	70.0	72.4	70.2	68.1	65.5	57.3	44.5
CSFR	76.3	76.9	76.0	74.3	72.1	67.2	58.7
GDR	84.2	84.5	84.4	82.2	80.5	64.1	43.6
Hungary	69.6	70.4	69.6	68.7	65.1	60.7	56.0
Poland	60.3	60.8	58.2	56.8	53.7	45.4	39.6
Romania	54.8	55.8	54.0	52.7	49.6	41.4	32.2
USSR	68.6	69.9	68.8	67.1	64.9	61.1	53.4
Yugoslavia	56.4	57.5	55.7	53.3	50.5	44.1	34.2
USA	120.5	121.7	122.3	121.8	119.2	115.8	114.6
Austria	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Havlik, Peter, *East-West GDP Comparisons: Problems, Methods and Results*, *WIIW-Forschungsberichte*, No. 174, Vienna, September 1991, p.35

Table 4.
ALTERNATIVE ESTIMATES OF PER CAPITA GDP (GNP)
 - in current dollars and per cent -

Method/Source Year	ICP 1989		CIA 1989		Physical indicators 1990		PPP 1990		Exchange rates 1990					
	\$ USA =100%	Aus. =100%	\$ USA =100%	Aus. =100%	\$ USA =100%	Aus. =100%	\$ USA =100%	Aus. =100%	\$ USA =100%	Aus. =100%				
Bulgaria	-	-	5690	27.2	8380	49.5	57.3	5430	25.0	37.7	6290	28.9	30.5	
Czechoslovakia	-	-	7900	37.8	9830	58.0	67.2	7940	36.5	55.1	2810	12.9	13.6	
GDR	-	-	9670	46.3	9380	55.4	64.1	8500	39.1	59.0	8820	40.6	42.8	
Hungary	6200	30.0	6090	29.2	8890	52.4	60.7	5920	27.2	41.1	3160	14.5	15.3	
Poland	4980	24.1	4560	21.8	6640	39.2	45.4	3910	18.0	27.2	1740	8.0	8.4	
Romania	-	-	3440	16.5	6070	35.8	41.4	2950	13.6	20.5	1540	7.1	7.5	
USSR	-	-	9230	44.2	8490	52.8	61.1	5060	23.3	35.1	5660	26.0	27.4	
Yugoslavia	5320	25.7	5460	26.1	6455	38.1	44.1	5140	23.6	35.7	-	-	-	
USA	20690	100.0	50.9	20890	100.0	16650	100.0	115.8	21730	100.0	150.9	21730	100.0	105.4
Austria	13710	66.3	100.0	-	14640	86.4	100.0	14400	66.3	100.0	20620	94.9	100.0	

Source: Havlik, Peter, "East-West GDP Comparisons: Problems, Methods and Results", *WIIW-Forschungsberichte*, No. 174, Vienna, September 1991, p.37

If we leave out Eastern Germany (because it is already included in the European integration processes), the highest level of per capita social product in 1990 was attained by Checkoslovakia. It was followed by Hungary, Bulgaria, Yugoslavia, UdSSR and Poland).⁵ It should be mentioned that such a ranking of the former socialist countries corresponds to the investigations carried out using the same methodological approach many years ago by Ivo Vinski in the Economic Institute Zagreb.⁶

The question arises now as to which development level enables a country in transition to start talks on entering European integration processes. If Austria and other countries entering the European Union were taken as a criterion, the period necessary for the preparations even of the most developed countries in transition would be very long. It could be therefore more realistic to assume that the criteria for the admission of the first countries would be to some extent milder:

Let us assume that the quantitative criterion of the development level corresponds to the per capita social product of 10 thousand dollars calculated as the internal purchasing power parity. This corresponds approximately to 2/3 of the development level of Austria in 1990. In trying to estimate the time moment when a country in transition would be able to satisfy this criterion, a broad series of elements should be taken into account. Two of them are most important. First, the countries in transition, with the exception of Poland, had in the threeyear period 1990-1993 a negative or zero growth rate of the social product. Second, even after the break in the negative trend, in view of the large problems

⁵ *The differences between the calculations of the per capita social product for Yugoslavia applying the p.p.p. method and the method of the rate of exchange are in 1990 to some extent closer than they were in some other years. That is due to the specific features of the execution of the stabilization program. Mutatis muiandis, it is also true of the stabilization program of Croatia in 1994.*

⁶ *Ivo Vinski: Kretanje društvenog proizvoda svijeta od 1910. do 1975. godine (Evolution of the social product of the world 1910-1975), Economic Institute, Zagreb 1978. The same author prepared additional estimates for the year 1980.*

and difficulties of the transitional restructuring, the growth rate will be relatively low in the course of several years.

In this context a special attention will be paid to the three countries which are supposed, owing to the traditions of past reforms and to the current achievements in transition, to be the first candidates for the European Union. These are the Czech Republic, Hungary and Poland. Their advantage consists in the fact that in the three-year period mentioned above the fall in their social product was less intensive than in other countries in transition. In the Czech Republic it was above 20%, in Hungary a little less than 20%, and in Poland less than 10% (Table 1). It would mean that the difference in the per capita social product among these countries in 1994 have decreased to a range of about 4000 (Poland) and 5000 dollars (the Czech Republic) with the intermediate place of about 4800 (fixed 1990) dollars occupied by Hungary. These are of course only crude approximations (especially for the Czech Republic which is more developed than the average of Czechoslovakia), but the fact is that these countries could satisfy approximately only about 1 /2 of the assumed criterion of about 10 thousand dollars.

If we now start from an optimistic assumption that these countries would be able to double their per capita social product in the next ten years (which would require, disregarding the population growth, an average annual growth rate of 7,5%), they would reach the necessary conditions for the entry into the European Union not before the middle of the first decade of the new millennium.

As the fall in the social product in the three-period (1991-1993) of the sharp transitional crisis in other countries in transition has been even larger, their preparations for the entry into European integration processes will require much longer time. The more so, as the preparations of the overall macroeconomic environment will be more lengthy in view of the shorter reform tradition in these countries.

All in all, it may be reasonably assumed that the above mentioned three countries could be among the first candidates for the entry into the European integration processes. This assessment is also backed up by what they already achieved in transition, in the first place in the transition of ownership, markets, political structure and macroeconomic environment, as well as in transition of business firms and development of entrepreneurship. The greatest part of foreign capital and direct investments in the countries in transition have been directed to those three countries.⁷ And last, but not least, these countries are most efficient in introducing the welfare criteria already discussed. In the years to come they have a chance to develop a variant of the "state and economy of welfare".

These countries are also going to have an advantage with respect to the protection of the human environment, the development of a social state with, the adequate legal system and the protection of human rights and freedoms. As a consequence, my judgments are identical, to those of G. Shultz from three years ago when he expressed them at the conference in Hoover Institution at Stanford. However, there is a great difference concerning former Yugoslavia which he put in the top position concerning the transition. The well-known events in this region require a special attention in this respect.

Finally, in the context of the European integration processes it is also necessary to mention the countries in transition which came into existence in the European part of the former UdSSR. They are least prepared to embark on transition. That is why the transitional crisis in Russia and Ukraine, as well as in the baltic countries, is very pronounced. Starting from a nearly primitive natural economy they were trying to introduce a market liberalization. It is connected with numerous risks and dangers, notwithstanding their clear orientation on the political democratization. During the tenth world Congress of economists, held in Moscow in the autumn of 1992, I discussed these questions with the prime minister Gajdar of the Russia Federation. We

⁷ *East-West Investment News, UN Economic Commission for Europe, Geneva, No. 1, Spring 1991.*

agreed that the transition processes in Russia are tied with great risks and dangers.⁸

In spite of the similar economic problems, the baltic countries, thanks to their closer historical ties with the European civilization, will probably be sooner enabled for integrational processes than other countries of the former UdSSR. These are, however, complex questions, not only of the transitional and integrational, but also of the political and strategic nature, and they are beyond the scope of this contribution.

(4) European integration processes and the new independent states in the region of former Yugoslavia with a special reference to Croatia

Few countries in Europe, and even in the world, were characterized by so great internal differences as former Yugoslavia. These differences relate to the level of economic development, to the people and the nations, language and religion, as well as to the general cultural and civilization heritage. They have had continually a disintegration impact and led finally to the dissolution of former Yugoslavia.

As a consequence, any real integration, based on a unified market, among the newly-formed independent states is only feasible within the framework of the European Union. I expressed already the same position in special study prepared on the initiative of the UN Research Institute for Social Development.⁹

⁸ For more detailed discussion see the author's book '*Ekonomija i politika tranzicije*', (*Economics and Politics of Transition*) Ekonomski institut i Informator, Zagreb, 1993, pp. 8-26.

⁹ '*Economic Dimensions of Disintegration with Special Reference to some Demographic, Ethnic and Political Aspects - the Case of Former Yugoslavia*'. The UN Research Institute for Social Development, Geneva 1994 (to be published).

However, in the context of our interest it would be probably most important to examine the differences in the level of economic development of individual former republics of ex-Yugoslavia. For this purpose we will first use the comparative data on the rates of investments and the efficiency of development, and then the data on demographic investments and development results (Table 5).

Table 5.
RATES OF GROSS INVESTMENTS IN FIXED ASSETS OF THE SOCIAL SECTOR OF THE ECONOMY, CAPITAL COEFFICIENTS AND GROWTH RATES OF GDP IN 1953-1989 (by subperiods)
in 1972 prices

Period	Republics									
	Yugo- sla- via	Bosnia & Herze- govina	Monte- nagro	Cro- tia	Mace- donia	Slo- veni- a	Serbia			
							Total	Narrower Serbia	Ko- sovo	Voi- vodina
1	2	3	4	5	6	7	8	9	10	
Rates of gross investments (a)										
1953-1960	19.3	22.2	52.7	16.7	26.0	16.9	18.9	20.5	16.4	15.0
1961-1970	20.4	20.8	36.5	18.8	32.9	16.4	20.9	20.7	39.4	17.9
1971-1980	22.7	28.3	39.6	21.0	26.6	21.4	21.5	19.9	42.0	21.5
1981-1989	16.3	18.8	21.9	15.7	13.0	14.9	16.4	16.4	25.3	14.6
1953-1989	19.5	22.6	32.6	18.2	22.1	17.5	19.2	18.7	32.9	17.6
Capital coefficients (b)										
1953-1960	2.2	3.0	8.9	1.9	3.2	1.9	2.0	2.3	2.3	1.2
1961-1970	3.2	3.9	4.4	3.0	4.2	2.4	3.4	3.4	5.6	3.1
1971-1980	4.0	5.1	6.4	3.9	4.6	3.5	3.7	3.4	7.6	3.7
1981-1989	32.3	15.3	1408.5	297.3	13.9	126.7	26.6	25.7	23.8	30.8
1953-1989	3.7	4.7	6.3	3.6	3.9	3.2	3.5	3.5	6.2	3.0
Growth rates of GDP (r)										
1953-1960	8.9	7.4	5.9	9.0	8.1	9.1	9.7	8.9	7.9	12.1
1961-1970	6.3	5.4	8.4	6.3	7.9	6.9	6.1	6.1	7.0	5.8
1971-1980	5.7	5.5	6.1	5.4	5.8	6.1	5.9	5.9	5.5	5.8
1981-1989	0.5	1.2	0.0	0.1	0.9	0.1	0.6	0.6	1.1	0.5
1953-1989	5.3	4.8	5.2	5.1	5.6	5.5	5.4	5.3	5.3	5.8

Source: *Statistical Yearbook, Beograd 1991, Federal Statistical Office.*
Economic Institute Zagreb, Center for Economic Informatics and Statistics.

Table 6.
**RATES OF DEMOGRAPHIC AND ECONOMIC GROSS INVESTMENTS IN
 FIXED ASSETS IN SOCIAL SECTOR OF THE ECONOMY
 IN 1953-1989**

in 1972 prices

	Republics									
	Yugo- sla- via	Bosnia & Herze- govina	Monte- negro	Cro- tia	Mace- donia	Slu- ve- nia	S e r b i a			
	1	2	3	4	5	6	Total	Narodna Serbia	Ko- sovo	Vol- vodina
K	3.7	4.7	6.3	3.6	3.9	3.2	3.5	3.5	6.2	3.0
P	1.0	1.3	1.2	0.5	1.4	0.7	1.0	0.8	2.5	0.5
S	19.5	22.6	32.6	18.2	22.1	17.5	19.2	18.7	32.9	17.6
Sd	3.7	6.2	7.5	1.8	5.5	2.4	3.5	2.8	15.6	1.5
Se	15.9	16.4	25.1	16.4	16.7	15.2	15.7	15.9	17.3	16.0
S=100.										
Sd	18.2	29.5	24.2	9.9	29.6	16.1	22.2	14.9	47.5	9.0
Se	81.8	70.5	75.8	90.1	70.4	83.9	77.8	85.1	52.5	91.0

Source: *Statistical Yearbook of Yugoslavia 1991, Beograd, Federal Statistical Office.*

Economic Institute Zagreb, Center for Economic Informatics and Statistics.

- 1) K = capital coefficient
- 2) P = growth rate of population
- 3) S = gross investments rate
- 4) Sd = demographic investments rate
- 5) Se = economic investments rate

The data in this table are prepared by applying Harrod-Domar macroeconomic model.¹⁰ It can be seen immediately that both the rates of investment and the values of capital coefficients are inversely proportionate to the level of development of the former republics and provinces. That is the reason that despite high rates of investments the less developed republics (Bosnia and Herzegovina, Montenegro, Macedonia) and the province of Kosovo have achieved the growth

¹⁰ There are actually two models which are very similar both by construction and by their starting basis (R. F. Harrod "An Essay in Dynamic Theory", *Economic Journal*, June 1939; E.D. Domar: "Essay in the Theory of Economic Growth", Oxford University Press, New York, 1957).

rates of the social product only marginally oscillating around the Yugoslav average. That is why, despite high investment rates in less developed republics and in Kosovo, made possible by the redistribution of income, the policy of the accelerated growth of this area had not been effectively realized. The demographic movements and the distribution of demographic investments were greatly responsible for this (Table 6). Since the behaviour of the natural population increase and of capital coefficients (i.e. of the economic efficiency of investments), and of the rates of the demographic investments was inversely proportional to the development level of individual republics and provinces, differences in development did not diminish but, on the contrary, were further aggravated. (Table 7)

Table 7.
INDICES OF PER CAPITA GDP IN 1953-1989

in 1972 prices

Period	R e p u b l i c									
	Yugo- sla- via	Bosnia & Herze- govina	Monte- negro	Cro- tia	Mace- donia	Slo- ve- nia	S e r b i a			
	1	2	3	4	5	6	Total	Narrower Serbia	Ko- sovo	Vo- vodina
1953	100.0	85.7	74.8	115.4	68.0	161.1	91.5	96.8	45.8	99.4
1955	100.0	83.3	77.2	122.5	68.4	174.9	85.9	90.8	42.5	93.6
1960	100.0	76.0	64.5	119.2	63.9	180.4	91.9	96.4	37.4	107.9
1965	100.0	71.7	76.3	120.3	66.6	183.2	92.1	96.3	36.5	112.5
1970	100.0	67.6	77.2	123.6	70.0	193.7	89.9	96.5	34.1	107.4
1975	100.0	65.8	69.1	123.1	68.0	205.2	90.7	96.7	33.4	115.1
1980	100.0	65.6	79.6	125.6	66.3	200.5	90.2	98.7	28.6	113.5
1985	100.0	68.7	78.0	125.3	64.2	203.1	90.1	99.2	27.7	117.8
1989	100.0	67.9	73.5	125.6	65.7	199.0	91.1	103.1	25.6	119.0

Source: *Statistical Yearbook 1991, Beograd, Federal Statistical Office.*
Economic Institute Zagreb, center for Economic Informatics and Statistics.

The largest coefficient of difference in the first year (1952) of the observed period of nearly four decades was equal to about 4 (Slovenia and Kosovo). In the last year of the period it doubled and amounted to about 8 (Slovenia and Kosovo). In this period the growth of the population in Kosovo was 3.5 times as high as in Slovenia and 5 times as big as in Croatia. There are no similar examples in Europe. Even those differences that existed in some countries (as in Italy) cannot be easily compared because they took place in the one-nation instead of the multi-nation state.

Big differences in demographic investments have led to the great internal tensions and confrontations not only because of the increased differences in the level of economic development, but also because of the changes in the ethnic structure of the former republics and provinces. The dissolution of Yugoslavia and the great crisis which led to a bloody war between the new independent states (Bosnia and Herzegovina, Serbia, Croatia) and nations (Serbs, Croats and Muslims) which is still raging attracting the attention of Europe, America and the whole world, represents an explosion of the cumulated problems with catastrophic consequences. Economic and demographic movements discussed above and the problems connected with them played a great role in these happenings.

The relations between the Serbs and Serbia on the one side, and Kosovo and the Albanians on the other constitute deep roots of the Serbian nationalizm which trhough its aggressiveness has spurred all other nationalisms in the area. Although the hystory of these problems is well-known, it could prove very difficult to resolve them, similarly to the case in the Middle East and the relations of the Palestians with Izrael. Only great uncertainties are certain in this case.

All those moments are, however, important in the context of our considerations. Of the new independent states organized in the region of former Yugoslavia only three are functioning more or less normally: Slovenia, Macedonia and Croatia (which is still neither in peace nor in

war). However, taking into account the geographic position, level of development and the historical heritage a clear advantage may be given to Slovenia and Croatia. The more so, as Slovenia and Croatia, due to the long reform tradition of about four decades, are better equipped to execute the economy and policy of transition than some other countries in transition.

On the basis of the criteria for comparisons of per capita social product (based on the parity of the internal purchasing power - Table 4) it can be estimated that Slovenia belongs to the most developed countries in transition. Its development level is twice as big as the Yugoslav average. It could be approximately derived that in 1990 Slovenia reached about 2/3 of the per capita social product of Austria. If we now subtract even 30% on account of the fall in production, its level would still be considerably higher than in any other country in transition. In addition, keeping in mind its achievements in the transition of the macroeconomic and political environment, its pronounced orientation on developing a social state with the adequate legal system and effective protection of human rights and freedoms it may be taken as quite certain that Slovenia is going to be the first to fulfill the conditions for the admission to the European Union.

With respect to the development level and transitional preparedness the first state after Slovenia to be included in the European Union should be Croatia. The length of period between the admissions of the two states will depend on many factors, some of which are today foreseeable, while the others are not. As for the foreseeable factor I have in mind the above-mentioned criterion of 2/3 of the per capita social product of Austria. Unforeseeable factors on the other side are the uncertainties of war and peace.

Let us examine the factors that are foreseeable. During transitional restructuring Croatia was suffering from a deeper transitional crisis than any other country in transition (Table 8). In the 1993 social product was practically only 50% of what it was in the prewar year 1990. Industrial

production dropped to 3/5 of the prewar level. Retail trade diminished to the level of something more than 1 /3. Net wages and salaries fell even more, reaching the level of 27.5%. Payments for investments went down to 16.7%. All this took place in the conditions of an expanding inflation which in September 1993 jumped above the monthly rate of 30%.

Simulation measurements have shown that about 50% of such a drastic fall in the social product can be ascribed to the loss of markets (former Yugoslavia and other ex-socialist countries). The remaining 50% was caused by the war and war damages, by increased costs (including the costs for refugees and displaced persons), and by the occupation of 25% of the territory of the country.¹¹

In October of the last year (1993) the government of the Republic of Croatia adopted a stabilization program which is being successfully implemented up to now (June 1994). Inflation oscillates about zero with a stagnation in production, exports, employment (the rate of unemployment above 17%) and personal revenues.¹² The next step must be reconstruction and development based on the promotion of exports. Although the economic policy has succeeded in creating a necessary macroeconomic environment, big unknowns are still present. They are particularly connected with the war and peace since Croatia is still a place of high risk which exert a negative influence primarily on foreign investors.

¹¹ Božo Marendić and Borislav Škegro (ed.) et al.: *Conception and Strategy of Economic Development of the Republic of Croatia*, in the publication "Economic Movements and Economic Policy of Croatia", No. 10, National Bank of Croatia and the Institute of Economics Zagreb, 1992. pp. 147.

¹² Ž. Rohatinski (ed.) et al.: *Croatian Economic Review*, The Institute of Economics, Zagreb and National Bank of Croatia, Zagreb, 1994.

Table 8.
MAIN ECONOMIC INDICATORS IN CROATIA

- indices in real terms

	1991 1990	1992 1991	1993 1992	1993 1990
GROSS DOMESTIC PRODUCT	71.3	76.4	94.0*	51.2
INDUSTRIAL PRODUCTION	71.5	85.4	94.1	57.5
- equipment	64.9	76.6	88.1	44.9
- reproduction materials	72.2	86.3	95.1	59.3
- consumer goods	74.0	86.6	95.2	61.0
FINISHED GOODS INVENTORIES	88.4	84.7	101.4	75.9
EMPLOYMENT	88.4	88.7	95.9	75.2
- state sector	87.0	87.5	93.7	71.3
- private sector	136.1	108.8	122.1	180.9
UNEMPLOYMENT	157.9	105.1	96.0	159.3
COMMODITY EXPORTS	81.9 ¹	104.3 ¹	84.9	-
COMMODITY IMPORTS	73.8 ¹	91.9 ¹	104.6	-
RETAIL TRADE	78.9	81.1	71.9	34.7
NET WAGES AMOUNT	72.6	47.3	80.9	27.5
HOUSEHOLDS INCOME	72.3	54.5	78.1	30.8
PUBLIC REVENUES	65.9	75.8	89.5	44.7
HOUSEHOLDS EXPENDITURES	76.8	70.5	81.1	43.9
INVESTMENT PAYMENTS	60.0	40.9	68.0	16.7
MATERIAL EXPENDITURES OF PUBLIC SECTOR	81.9	88.6	84.4	61.2
PRODUCER PRICES IN INDUSTRY	246.3	925.2	1812.4	36742.8
RETAIL PRICES	223.0	785.5	1817.5	27811.8

Source: Croatian Economic Survey 1993, The Institute of Economics, Zagreb and National Bank of Croatia, Zagreb, May 1994, p. 6.

* estimate

¹ without countries of ex-Yugoslavia

One part of the economic policy has taken advantage of a good preparedness of Croatia (thanks to a certain market tradition) for transition policy. That is why it was not necessary to introduce the war economy.

Some other advantages have not been utilized, at least for the time being. In this respect a special reference should be made to the existence of the social ownership. Instead of a direct transition of the social into the private ownership a method of privatization has been adopted which includes the state ownership as a transmission link. This is a step backward. Although the process of transition of ownership is greatly underway (which is good), this method produced numerous problems. A dominant part of the social capital is, as a result, possessed and controlled at present, though only temporarily, by the state. In view of all other problems of transitional restructuring (in particular in the field of the market and the political set-up) this gave rise to a very specific situation in the macroeconomic surroundings. It concerns specifically the interconnection of the following three monopolies: the monopoly of the ownership, of the market and of the political power. Such circumstances cause as a rule, many deviations. Though slightly simplified, they could be described in the shortest way as a quick enrichment of the minority, and a rapid pauperization of the majority. The result is a quick disappearance of the middle class which was already developed to some extent and which otherwise constitutes a basis for the development of the modern democratic society.

Of course, no one lives in the illusion that the processes of transition can be carried out without social tensions and cramps. A certain price must be paid for the improvement in economic efficiency and political democratization. There is only the question, what the price is and who pays it. Other countries in transition are also facing such or similar problems. It seems, however, that in Croatia they are to some extent more pronounced (probably also because of the war).¹³

¹³ *In Croatia (like in some other countries in transition) there are deviations of the so-called "Latin-American syndrome" and of the "neobolshevism" as well. The first term denotes illegal enrichment and inadequate functioning of the social state and the corresponding legal system. The second term means an exaggerated influence of the state even in the fields where it is not necessary. In practice it means a strengthening of the role of the state on the account of the selfrule.*

A possible way of reducing these problems and tensions consists in dividing a part of the social capital in the form of vouchers to all citizens. This method is utilized by most countries in transition. It ought to be applied also in Croatia after exhausting all possibilities of selling the capital to foreign and domestic buyers and investors. In the case of the domestic buyers the so-called old savings in foreign currency could be utilized for this purpose.¹⁴

There is now the question of the possibilities and perspectives of Croatia to enter the European integration process. In looking for an adequate answer, both sides of the problem, as pointed out before, have to be examined.

As for the material side it is necessary to underline that Croatia, after Slovenia, was the most developed republic of former Yugoslavia. During the 80's the level of its social product had been continuously more than 1 /4 above the Yugoslav average, that is to say around 6400 current dollars. Since in 1993 its social product was halved, it could be approximated that in this year it amounted to about 3200 dollars (in comparison with other countries from Table 4). Keeping in mind, however, that Croatia (relatively to other countries in Table 4) is much better prepared for the transition it might be inserted in the same group as Hungary, the Czech Republic and Poland concerning the transition and inclusion in the European integration processes. As in these three countries, a stabilization program is also carried out in Croatia, and in 1994 a modest rise in the social product is expected (Table 12 in Annex).

On the other side, how far Croatia will be able to follow these countries concerning the admission to the European Union will probably depend to a great extent on factors that are not predictable. And this is the

¹⁴ *Old foreign exchange savings represent foreign exchange savings of the population on the bank accounts of ex-Yugoslavia, which were transformed in the Republic of Croatia into public debt which has been regularly serviced with the interest of 5%.*

question of war and peace. Nevertheless, it should be underscored, especially in the light of the welfare characteristics, that from the historical and civilizational viewpoint Croatia belongs to the same group as the above-mentioned three countries.

As for the other states that came in existence in the region of former Yugoslavia (Bosnia and Herzegovina, Montenegro, Serbia and Macedonia) they are also, in view of a long reform and market tradition, better prepared for the implementation of transition than some other countries of the post-socialist world, especially the countries of the former UdSSR. However, their development level is considerably lower than in Slovenia and Croatia. Around the level of the former Yugoslav average was only Serbia, whereas the other republics were considerably below it. In addition, Bosnia and Herzegovina suffered heavier war destructions than Croatia.

Finally, it is not less important but on the contrary it is necessary to mention some moments which especially refer to Macedonia, as well as to Bosnia and Herzegovina. Every step, even the smallest one, in direction of preparation of Macedonia and Bosnia and Herzegovina for gradual inclusion into the European integrational processes will have very positive impact to general stabilization and consolidation of circumstances on the territories of former Yugoslavia. The factors which decide upon priorities and dynamics of inclusion of particular countries in transition into the European union should keep these moments with their corresponding importance in mind.

(5) Instead of a conclusion

It follows from the above discussions and considerations that of all new countries, formed in the region of former Yugoslavia, it is Slovenia that is best equipped to enter the European integration processes. It has also some advantages relative to Hungary, the Czech Republic and Poland. These advantages are in the field of its preparedness for transition, in the development level already attained, and in its overall

welfare achievements. By all these standards Slovenia takes a nearest position to the western civilization.¹⁵

Had there been no war, Croatia would stand immediately after Slovenia. However, in spite of the war Croatia ought to come in the same group as Hungary, the Czech Republic and Poland. The best argument in this sense is provided by the similarities of the historical and civilizational standards. The inclusion of Bulgaria and Rumania will probably come somewhat later.

Macedonia, as well as Bosnia and Herzegovina should draw a special attention, due to stabilization and consolidation of entire situation on the territories of former Yugoslavia.

The sequence of inclusion of these countries into the European Union will depend on themselves and on the criteria that will be applied. If the criteria on which a group of countries including Austria are accepted now, would be firmly adhered to, then the inclusion of the countries in transition would not start before the first decade of the new millennium.

As the differences among countries in transition from the view point of the economic development and the overall welfare are very large, this process could last more decades. However, it is now already relatively predictable that the countries like Slovenia, Croatia, Hungary, Poland and the Czech Republic will be among those with which the inclusion into the European Union will start. However, when it is going to happen, in which sequence and in what intervals, will depend on the effective implementation of transition in these countries, but also on the criteria

¹⁵ *This statement has been proved again by the most recent findings for the countries in transition. Peter Havlik et al.: "Transition Countries: The Economic Situation in Early 1994 and Outlook until 1995." More solid recovery in Central and Eastern Europe continuing decline elsewhere, Research Reports No. 207, July 1994, Vienna Institute for Comparative Economic Studies. Tables 13 and 14 in Annex. As it has been seen the rank of the countries in Transition remains the same but on the different levels of per capita GDP.*

that will be applied by the decision-making factors in the policy of the European Union.

However, all questions concerning the need, the expectation, the possibilities and perspectives of the inclusion of the countries of the European part of the former UdSSR are remaining open. These are very complex political and strategic questions which will be resolved by two main factors - European Union and Russia.

ANNEX

Table 1.
LABOUR PRODUCTIVITY IN INDUSTRY¹
 real change in % against preceding year

	1990	1991	1992	1993 Jan.-Sept.
Czech Republic	-0.3	-14.4	-2.3	-1.3
Hungary	-3.9	-10.2	-1.4	13.8
Poland	-20.3	-5.2	13.7	11.0
Slovak Republic	-1.1	-14.6	-10.2	-8.6
Slovenia	-7.5	-1.4	-3.4	-3.5
Bulgaria	12.0	-5.5	-7.0	
Romania	-4.4	-15.0	-13.4	6.8
Croatia	-7.2	-13.2	0.3	2.9
Russia	3.4	-6.4	-16.5	
Ukraine	2.6	-2.3	-3.4	

1) Official data for all countries except Poland, Russia and Ukraine. Figures for these countries are calculated. All data refer to enterprises covered by table 2. in the paper Source: National statistics.

Table 2.
GROSS AGRICULTURAL PRODUCTION
 real change in % against preceding year

	1990	1991	1992	1993 estimate ¹	1994 forecast ²
Czech Republic	-2.3	-8.9	-12.1	-1	0
Hungary	-4.7	-2.6	-22.7	-5	0
Poland	-2.2	-1.6	-12.8	3	2
Slovak Republic	-7.2	-7.4	-13.9	-8	5
Slovenia	3.5	0.4	-10.1	-5	7
CEE-5 ²	-3.1	-3.6	-15.2	0	2
Bulgaria	-6.0	-0.3	-11.9	-15	5
Romania	-2.9	1.0	-13.9	10	2
CEE-7 ²	-3.5	-1.7	-14.3	1	2
Croatia	-3.2	-7.2	-13.0		
Russia	-3.6	-4.5	-7.5	-10	0
Ukraine	-3.7	-13.2	-11.2	-6	6

CEE - Central and Eastern Europe; 1) WIW; 2) WIW - estimate.
 Source: National statistics and WIW estimates.

Table 3
GROSS FIXED INVESTMENT
 real change in % against preceding year

	1990	1991	1992	1992 Jan-Sept	1993 estimate ¹	1994 forecast ¹
Czech Republic	6.5	-26.8	9.6		6.1	6
Hungary	-9.8	-11.9	-6.4	15.9 ²	12.7 ²	2
Poland	-10.1	-4.1	0.7	-3.3	-6.8	0
Slovak Republic	5.3	-14.0	21.8		14.4 ²	0
Slovenia	-9.0	-14.8	-17.6		2.5	3
Bulgaria	18.5	-19.9	-1.5		-21.1	-20
Romania	-38.3	-25.8	-1.1		1	0
Croatia	-16.2	-40.0	-59.2	-40.0	-26.4	-30
Russia	0.1	-16.0	-45.0	-48.0	-12.0	-10
Ukraine	1.9	-5.3	-40.0			

1) WWI, 2) Nominal

Source: National statistics and WWI estimates.

Table 4
RETAIL SALES
 real change in % against preceding year

	1990	1991	1992	1992 Jan-Sept	1993 estim.	1993 estim.
Czech Republic	1.9	-33.5	16.3	9.9	3.6	4.0
Hungary	-7.6	-9.9	-5.6	-5.8	1.1	-1.0
Poland	-17.4	3.8	7.9	2.5	6.2	6.0
Slovak Republic	0.6	-39.2	15.3	9.0	3.1	3.5
Slovenia	-16.7	-6.6	-13.7	-20.6	6.2	6.0
Bulgaria	-8.7	-47.2	-9.1	-10.0	-10.4	-6.0
Romania	-14.8	-26.6	-18.5	-9.3	-26.0	-24.0
Croatia	-7.4	-25.0	-38.9	-46.2	-32.4	-32.0
Russia	8.8	-7.3	-39.1	-39.0	4.5	0.0
Ukraine	12.0	-9.9	-22.3	-23.2	-16.1	-15.0

Source: National statistics and WWI estimates.

Table 5.
AVERAGE MONTHLY WAGES AND SALARIES
 real change in % against preceding year

	1990	1991	1992	1992 Jan.-Sept.	1993 estimate	1993 estimate
Czech Rep.	5.4	-23.7	10.4	9.8	4.0	5
Hungary ¹	-5.1	-8.6	-1.0	-1.3	-3.8	-4
Poland ²	-24.4 ³	-0.3	-2.8	-5.1	0.3	0
Slovak Rep.	-5.9	-25.6	8.9	8.5	-1.4	-2
Slovenia	-25.7 ⁴	-15.2	-2.8	-8.5	18.7	10
Bulgaria ⁵	5.3	-39.4	19.2	-	-9.83	-
Romania	5.8	-17.2	-13.0	-	-17.4	-11
Croatia	-16.2	-25.0	-43.5	-53.2	-8.0	-7
Russia	9.0	-3.6	-6.8	-2.0	-19.3	-18
Ukraine	9.5	19.0	-27.5	-	-37.1 ¹	-

1) Net wages in productive sector. - 2) Public sector. - 3) January to June.
 Source: National statistics and WtW estimates.

Table 6.
CENTRAL GOVERNMENT BUDGET DEFICIT IN % OF GDP

	1990	1991	1992	1993 ¹ estimate	1994 ¹ forecast
Czech Rep.	0.0	1.9	0.2	0.0	0.0
Hungary	0.1	4.9	7.0	6.0	7.0 ²
Poland ³	-0.2	3.8	6.0	3.5	4.5
Slovak Rep.	0.2	3.8	3.4	7.0	5.0
Slovenia ⁴	-	-2.6 ⁵	-0.3 ⁵	6.0	1.0
Bulgaria	4.9	3.8	6.0	10.0	7.0
Romania	-0.4 ⁵	2.0	4.8	3.0	4.0
Croatia	-	5.0	0.2	-	-
Russia ⁵	-	20.0	19	13.0	-
Ukraine ⁵	-	13.7	27.8	25.0	-

1) Official; 2) Government target including social security fund; 3.3%; 3) in 1990 general government budget, since 1991 excluding local budgets; 4) General government budget; 5) Negative numbers indicate surplus.
 Source: Ministry of Finance of respective country.

Table 7.
REGISTERED UNEMPLOYMENT
in 1000 persons (A) and rate in % (B)¹⁾

	December 1991		December 1992		September 1993		Dec 93 ²⁾	Dec 94 ²⁾
	A	B	A	B	A	B	B	B
Czech Republic	222	4.1	135	2.6	167	3.2	4.0	7
Hungary	406	7.5	663	12.3	670	12.9	13.0	13
Poland	2156	11.8	2509	13.6	2830	15.4	15.8	16
Slovak Republic	302	11.8	260	10.4	350	13.7	15.0	18
Slovenia	91	10.1	118	13.4	135	15.1	15.5	18
CEE 5 ³⁾	3177	9.8	3685	11.4	4152	12.9		
Bulgaria	419	11.1	577	16.4	599	17.0 ⁴⁾	17.0	18
Romania ⁴⁾	337	3.0	929	8.4	1030 ⁵⁾	9.0 ⁵⁾	10.0	12
CEE 7 ⁶⁾	3633	8.3	5191	11.0	5781	12.2		
Croatia	283	17.9	261	17.8	247	17.4	17.0	20
Russia	62	0.1	577	0.8	706	1.0	1.0	2
Ukraine	7	0.02	71	0.3	127 ⁷⁾		0.5	3

1) Share of unemployment in % of economically active population. For Croatia, Russia and Ukraine: in % of unemployed plus employed persons. 2) WVV. 3) WVV estimate. 4) Since Dec. 1992 new methodology. 5) Mid-month. 6) Persons looking for a job at employment bureaus.

Source: National Statistics and WVV estimates.

Table 8.
CONSUMER PRICE INFLATION
change in % against preceding year

	1990	1991	1992	1992 Jan-Sept	1993 Jan-Sept	1993 estimate ¹⁾	1994 forecast ²⁾
Czech Republic	9.7	56.7	11.1	10.8	21.6	22	11
Hungary	28.9	35.0	23.0	23.1	22.8	23	25
Poland	585.6	70.3	43.0	42.0	36.0	37	30
Slovak Republic	10.4	61.2	10.0	10.3	22.4	23	18
Slovenia ³⁾	549.7	117.7	201.3	256.7	35.5	33	18
Bulgaria	20.8	338.5	91.3	97.3	76.4	75	65
Romania	5.1	147.5 ³⁾	210.9	217.4	228.5	250	200
Croatia ³⁾	609.5	123.0	665.5	501.0	1610.0	1518	200
Russia	5.3	92.6	1092.0	823.0	1170.0	1100	500
Ukraine	4.8	83.5	1600.0 ³⁾		2380.0 ³⁾	3500	1000

1) WVV. 2) Retail prices.

3) Revised.

Source: National statistics and WVV estimates.

Table 9
FOREIGN TRADE BY CUSTOMS STATISTICS
 in current US\$ mn

		1991	1992	1992/1991	1992	1993	1993
				in %	Jan-Sep	Jan-Sep	Jan-Sep / 1992 Jan-Sep
Czech Republic ¹⁾	Exports	7924	8770	10.7	6458	7281	12.7
	Imports	7082	10279	45.1	6356	7249	14.0
	Balance	842	-1509		102	32	
Hungary	Exports	10187	10705	5.1	7968	6054	
	Imports	11382	11079	-2.7	9169	8531	4.4
	Balance	-1195	-374		-201	-2477	
Poland ²⁾	Exports	14903	13187	-11.5	5912	6076	18.0
	Imports	15522	15913	2.5	9195	9743	58.0
	Balance	-619	-2726		-285	-2767	
Slovakia ³⁾	Exports	3449	3624	5.1	2605	2269	-12.9
	Imports	3608	3554	-1.2	2573	2903	1.2
	Balance	-159	60		32	-334	
Slovenia ⁴⁾	Exports	3874	5173	7.9	3879	3775	-2.7
	Imports	4131	4923	0.0	3512	4200	19.8
	Balance	-257	250		367	-425	
(CEE 5)	Exports	40337	41459	2.8	29823	25355	-1.7
	Imports	41725	45758	9.7	28776	32326	29.7
	Balance	-1388	-4299		45	-5971	
Bulgaria	Exports	3325	3498	5.2	2438	2421	-0.7
	Imports	2537	3453	36.1	2974	2842	6.3
	Balance	788	45		-236	-421	
Romania ⁵⁾	Exports	4042	4295	6.3	2965	3157	6.8
	Imports	5400	5902	9.3	3820	4075	6.7
	Balance	-1358	-1607		-854	-908	
(CEE 7)	Exports	47704	49252	3.2	32226	31943	-0.9
	Imports	49662	55113	11.0	33270	39243	18.0
	Balance	-1958	-5861		-1045	-7300	
Croatia ⁵⁾	Exports	3292	3127	-5.0	2353	2206	-6.2
	Imports	3828	3430	-10.4	2490	3019	21.2
	Balance	-536	-303		-137	-813	

1) Czech Republic, without Slovak Republic, Slovak Republic without Czech Republic. - 2) January-June data for part of 1992 and 1993. - 3) Trade without ex-Yugoslav republics. Since 1992 incl. exports and imports for processing. Comparable rate of growth for 1992. - 4) Part of 1992 and 1993 convertible currency trade. For total 1992 and 1993 of currency trade. - 5) Without ex-Yugoslav republics.

Source: National statistics.

Table 10:
FOREIGN FINANCIAL POSITION
US\$ mn, end of period

	Gross debt ¹		Reserves of National Bank (excluding gold)		Foreign direct investments ²	
	Dec.92	Sept.93	Dec.92	Sept.93	Dec.92	Sept.93
Czech Republic	7500. ³	6700. ⁴	648	3100	1785	2240
Hungary	21438	24483	4347	5738	3424	4248
Poland	47000	47225. ⁵	4287	3800	399	746
Slovak Republic	2300	2900	356	531	230	320. ⁶
Slovenia ⁷	1741. ⁸	1858	716	758	132	221
Bulgaria	12952		860	896	97	133
Romania	2354	3179	90	60	92	127
Croatia ⁹	2541. ⁷	2548. ⁷	167	476	-1	65
Russia	80200. ⁸	81500. ⁸		4400. ⁸	900	1275

1) Convertible currencies. - 2) Stock of net inflow according to BOP statistic. - 3) Total. - 4) July. - 5) November. - 6) June. - 7) Excluding portion of the debt of former Yugoslav federation. - 8) December. - 9) Assuming responsibility for all old Soviet debts.
Source: National statistics.

Table 11:
FOREIGN FINANCE: DECEMBER 1992 - SEPTEMBER 1993
in US\$ mn

Gross debt: Change in gross convertible currency debt
Reserves: Change in Official reserves excluding gold
Curr. acc.: Convertible currency current account balance
FDI: Convertible currency foreign direct investment
- net inflow according to the balance of payments

	Gross debt	Reserves	Curr. acc.	FDI
Czech Republic	1200. ¹	2252	566	455
Hungary	3045	1391	-2484	822
Poland	225. ²	-487	-2330	347
Slovak Republic	600. ³	173	-124. ⁴	90. ⁵
Slovenia	117. ³	42	-13	89
Bulgaria	0	38	-558	36
Romania	825	-30	-1020	35

1) Including non-convertible currencies. - 2) To July. - 3) To November. - 4) To June.
5) Excluding portion of debt of former Yugoslavia.

Table 12.
GROSS DOMESTIC PRODUCT OF CROATIA
 - organizational principle -
 - in HRD
 - constant prices in 1992

	1992	Estimate 1993	Estimation 1994	I N D I C E S	
				1993/92	1994/92
GROSS DOMESTIC PRODUCT TOTALLY	2.699.278	2.575.972	2.630.363	95,4	102,1
socio-state, privatized sector, cooperative, mixed sector	1.876.305	1.726.255	1.748.848	92,0	101,3
	822.973	849.722	881.515	103,7	
Industry and mining	1.206.078	1.161.726	1.194.200	96,3	102,8
Agriculture and fishery	432.337	451.203	469.380	104,4	102,5
Forestry	37.623	37.623	38.180	100,0	101,5
Water supply	6.528	5.888	5.890	90,2	100,0
Architecture	120.562	109.474	110.730	90,8	101,1
Transport and communications	197.742	179.266	182.470	90,7	101,8
Trade	358.828	310.404	310.270	86,5	100,0
Catering and Tourism	101.963	101.307	105.660	99,4	104,3
Handicraft	73.822	64.688	63.050	87,6	87,5
Housing and utilities activity	22.902	20.809	20.873	90,5	100,3
Financial and other services	104.587	100.818	102.770	96,4	101,9
Education and Culture	24.850	22.968	23.280	92,4	101,4
Health care and social welfare	11.380	10.502	10.610	92,3	101,0

Source: Estimates of the State Bureau for Macroeconomic Analysis and Forecast

Table 13.
GROSS DOMESTIC PRODUCT
 real change in % against preceding year

Index 1989 = 100

	1990	1991	1992	1993 ¹⁾ forecast	1994	1995	1993 forecast	1994	1995
Czech Republic	-1.2	-14.2	-6.6	0.3	2	3	75.9	80	83
Hungary	-3.5	-11.9	-4.5	-1.5	2	1	80.0	82	82
Poland	-8.0	-7.6	2.6	3.8	4	4	86.2	90	93
Slovak Republic	-2.5	-14.5	-7.0	-4.1	0	1	74.3	74	75
Slovenia	-4.7	-9.3	-6.0	1.0	3	4	82.1	85	88
CEE 5 ²⁾	-5.1	-10.4	-1.9	1.2	3	3	82.2	85	87
Bulgaria	-9.1	-11.7	-7.7	-4.2	-2	-1	71.0	70	69
Romania	-5.6	-12.9	13.5	1.0	-2	0	71.8	70	70
CEE 7 ²⁾	-5.6	-11.1	-4.7	0.6	1	2	79.1	79	81
Croatia ³⁾	-9.3	-26.7	-23.6	-6.0	-3		46.0	45	
Russia	-2.0	-12.9	-18.5	-12.0	-10	-5	60.8	55	52
Ukraine	-2.4	-12.0	-17.0	-18.0	-20	-5	58.5	47	44

1) Preliminary. - 2) WIIW estimate. - 3) Gross material product

Source: Havík, Peter et al. More solid recovery in Central and Eastern Europe, continuing decline elsewhere, WIIW, No. 207, Vienna, July 1994, p. 2. National statistics, forecast: WIIW

Table 14
GDP PER CAPITA AT CURRENT PPPS (USD), SINCE 1994 CONSTANT PPPS

	1990	1991	1992	1993	1995	2000	2010
(projection assuming 5% growth p.a.)							
Bulgaria	4106	2814	2385	1803	1988	2537	4133
CSFR	8365	6708	6865				
Czech Republic	8844	7294	7664	7541	8314	10611	17284
Slovakia	7428	5534	5273	4923	5427	6927	11293
Hungary	6766	5730	5968	5896	6611	8437	13743
Poland	4894	4123	4148	4308	4746	6057	9686
Romania	3417	3300	3058	2906	3093	3948	6431
Slovenia	8916	7678	7560	7928	8741	11155	18171
Russia	7107	6574	5563	5040			
Ukraine	5797	5280	3689	1759			
(projection assuming 2% growth p.a.)							
Austria	19823	17329	18096	18458	19204	21202	25846
West Germany	18362	19687	20435	20844	21688	23943	29186
Greece	7387	7729	8303	8469	8811	9728	11859
Portugal	8384	9180	9786	9982	10385	11466	13977
Spain	11749	12714	12853	13110	13640	15059	18057
Turkey	3363	3486	3728	3803	3956	4368	5325
USA	21866	22204	23215	23679	24636	27200	33157
EU	15837	16359	16949	17288	17986	19858	24207
European Union (EU) average = 100							
Bulgaria	26	17	14	10	11	13	17
CSFR	53	41	41				
Czech Republic	57	45	45	44	46	53	71
Slovakia	48	34	31	28	30	35	47
Hungary	43	35	35	35	37	42	57
Poland	31	25	24	25	26	31	41
Romania	22	20	18	16	17	20	27
Slovenia	57	47	45	46	49	56	75
Russia	45	40	33	29			
Ukraine	37	32	18	10			
Austria	106	106	107	107	107	107	107
West Germany	117	120	121	121	121	121	121
Greece	47	47	49	49	49	49	49
Portugal	53	56	58	58	58	58	58
Spain	75	78	76	76	76	76	76
Turkey	22	21	22	22	22	22	22
USA	140	136	137	137	137	137	137
EU	100	100	100	100	100	100	100

Source: Havlik, Peter et al.: More solid recovery in Central and Eastern Europe, continuing decline elsewhere, WIIW, No. 207, Vienna, July 1994, p. 27. Benchmark estimates for 1990: Austrian Statistical Office, Handbook of International Economic Statistics (Bulgaria), Institute for Macroeconomic Analysis and Development (Slovenia), Russian Economic Trends (Russia and Ukraine). OECD. Benchmark PPPs in ATS were linked to USD assuming PPP ATS/USD = 14 and extrapolated with CPI. From 1995 WIIW estimates.