HOW HAVE EX-POST-SOCIALIST COUNTRIES DONE IN THE ECONOMIC CRISIS?

T. Tanning, MSc., Doctoral Candidate, Lecturer
Tallinn School of Economics, Estonia

The aim of this article is to analyse the economic development before and after the economic crisis of the former Soviet Bloc countries or other new EU member states from Central and Eastern Europe (CEE-8) and the Baltic states and to compare them on the level of the EU-15 and Russia. We will look at how the economic crisis has affected economic development. How ex-post-socialist countries have overcame the collapse of the Soviet Union?

Keywords: Europe, former Soviet Bloc, economic development, economic crisis.

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Here was the power the former Soviet Union, freedom – former Soviet Bloc countries.

For an introduction, see the background for the Eastern European countries that were part of the Soviet Bloc. [1 – 4].

Here analyzed more detail the countries’ economic (GDP) development of the CEE-8 and Baltic countries by real GDP growth rate and GDP per capita. Let us attempt to draw comparisons with EU countries, particularly in the developed economies countries.

The theoretical bases is in the author’s earlier works [3 – 9]. Methodology and definitions are of the Eurostat. [10]. All figures are the authors’ illustration.

Following analyzed the development of the economy of the former the Union of Soviet Socialist Republics (USSR) using UNdata source data. [11]

In 1990, the GDP per capita in Estonia and Latvia was respectively 1.31 and 1.17 times greater than in the USSR, but still slightly below GDP per capita in Russia. Compared to the GDP of Ukraine and Belarus, Estonia was 1.5 times better. Russia’s GDP was high because of its powerful concentrated heavy industry, mainly in the war industry. Figure 1 indicates that in 1990 the USSR had a backward economy in comparison to Western countries, when measured by GDP per capita, which is 8 to 11 times higher there. The lag of the Baltic States was also very high: 6 to 8 times. While in the years 1983 – 1990 the economy of the developed economies of the Western countries grew up to 1.53 to 2.69 times, the economy of the USSR simultaneously fell by nearly a quarter (22.3%). This analysis shows the economic reasons behind the disintegration of the USSR. Their economy did not only stop, but went back. [11] How did the member states of the Soviet Union exit the collapse of the political and economic system? How did they survive the economic crisis of 2009 and other economic crises? This will be analysed next [4].

Further will be reviewed at advanced economies and emerging market and

| Country       | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bulgaria      | 4.7    | 5.5    | 6.7    | 6.4    | 6.5    | 6.4    | 6.2    | -5.5   | 0.4    | 1.8    | 0.6    | 0.9    |
| Czech         | 2.1    | 3.8    | 4.7    | 6.8    | 7.0    | 5.7    | 3.1    | -4.5   | 2.5    | 1.8    | -1.0   | -0.9   |
| Croatia       | 4.9    | 5.4    | 4.1    | 4.3    | 4.9    | 5.1    | 2.1    | -6.9   | -2.3   | -0.2   | -1.9   | -1.0   |
| Hungary       | 4.5    | 3.9    | 4.8    | 4.0    | 3.9    | 0.1    | 0.9    | -6.8   | 1.1    | 1.6    | -1.7   | 1.1    |
| Poland        | 1.4    | 3.9    | 5.3    | 3.6    | 6.2    | 6.8    | 5.1    | 1.6    | 3.9    | 4.5    | 1.9    | 1.6    |
| Romania       | 5.1    | 5.2    | 8.5    | 4.2    | 7.9    | 6.3    | 7.3    | -6.6   | -1.1   | 2.2    | 0.7    | 3.5    |
| Slovenia      | 3.8    | 2.9    | 4.4    | 4.0    | 5.8    | 7.0    | 3.4    | -7.9   | 1.3    | 0.7    | -2.5   | -1.1   |
| Slovakia      | 4.6    | 4.8    | 5.1    | 6.7    | 8.3    | 10.5   | 5.8    | -4.9   | 4.4    | 3.0    | 1.8    | 0.9    |

Fig. 1. GDP per capita at current prices – USD, 1990 [11]

Tab. 1.

Real GDP growth rate of the CEE-8 countries. Percentage change on previous year [14]
developing economies' economic (GDP) development and forecasts.

The economy (GDP) of the United States has generally developed quicker than that of the European Union; the pre-crisis years from 2006 to 2008 are the only exception. The decline in the EU was significantly higher in 2009 than in the USA. While the EU economy was negative in 2012, the increment in the USA was 2.2%. The EU-28 economy experienced a small growth (+0.2%), but the euro zone (17 countries) an ongoing decline (-0.4%) in 2013. The growth of the USA (+1.9%) was normal for a highly developed industrial country. [12]

Among advanced economies or Euro area countries are the five CEE and Baltic countries. Before the economic crisis, the GDP growth of these economies was very high, several times higher than the average of the countries with advanced economies. In the crisis year of 2009, the situation was the opposite – the relative drop in the GDP was considerably larger than in advanced countries. This is especially true in the case of Latvia and Estonia. Especially the GDP growth of Latvia was one of the highest in the EU after the crisis. [12]

The economies of these four members of the CIS developed rapidly before the crisis, especially the GDP of Belarus. The decline of the economies of Russia and Ukraine in 2009 was also very big. However, in Belarus and Kazakhstan, there was positive economic growth in all of the analysed years, even though it was small in 2009. The economy of Kazakhstan has been more stable. [13]

The economies of these six CEE countries also developed several times faster than the crisis than advanced economies. An exception was Hungary, where there was basically stagnation in 2007 and 2008. Poland and Lithuania have continued more successfully. Croatia is in long-term constant economic decline. Thus, the economies of the former Soviet Union countries have developed and passed the economic crisis very differently. [13]

From 2002 to 2008, the real GDP growth rates of all CEE countries were higher than the EU average, except for Hungary in the 2007. While the decline in the EU-28 in 2009 was -4.5%, Czech Republic experienced the biggest drop, but Poland increased by +1.6%. Slovakia and Poland came out strongly from the crisis, but Czech Republic and Bulgaria were also successful. Since 2009, business has been continuously declining in the new EU Member State Croatia. In 2012 and 2013, business also declined in Slovenia and Czech Republic in addition to Croatia, and in 2012 also in Hungary. [14]

Next will be reviewed GDP change during transition in % of GDP from pre-transition 1989 level. The figure illustrates that after the disintegration of the socialist countries, i.e. the Soviet Union and Yugoslavia, the levels of the economies (GDP) of all these countries declined for several years. This was followed by an increase, which was also affected by the economic crisis. The bottom two trend lines show that Russia and Ukraine experienced the biggest difficulties. Development was faster in Poland, Slovakia and Slovenia, and Estonia of the Baltic states. The economy of Poland has developed approximately twice faster than that of Russia and approximately three times faster than the economy of Ukraine.

Of the post-socialist countries, after the disintegration of the Soviet Union in 1992, Latvia had 61%, Estonia 67%, Russia 79%, etc. left of the GDP level of 1989. Of the parts of the former Yugoslavia, Croatia had 60%, etc. left in 1993. The decline continued in the following years. The level of the Baltic states dropped. In 1994, it was 60% in Estonia, 55% in Latvia, and 54% in Lithuania. The decline of Russia and Ukraine, however, continued, in 1998, it was: Russia 53% and Ukraine 39%. The decline was lower in the satellite countries that were not members of the Soviet Union, in Poland 82%, in Czech Republic 87%, in Hungary 85%, in Slovakia 83%, etc. in 1991. Their following development was also faster.

As a rule, it took more than 10 years to exceed the level of 1989. Estonia exceeded the level of 1989 in 2002 and Latvia in 2005, while in 2010, Russia had reached 98% and Ukraine 63% of 1989. The levels of 1989 were first exceeded by Poland (1996), Slovakia (1998), and Slovenia (1998). In 2010, Poland achieved 187%, Slovakia 162%, Slovenia 144%, and Czech Republic 138%. Estonia was the most successful of the former Soviet Union countries with 127%. But Russia and Ukraine still
did not reach the level of 1989 in 2010. [15]

This is the background for the transition to market economy of post-socialist countries, which was, however, very varied. It must also be added that the development did not occur linearly, but with upturns and declines (crises).

If we also analyse changes in the level of industrial production in the period of the transfer (1989 – 2010), the development was the biggest in Poland 225%, Hungary 187%, and Slovakia 140%. The decline of industry in the years following the disintegration of the Soviet Union was the largest in the Baltic states: 32% remained of the level of 1989 in Lithuania, 38% in Latvia, and 47% in Estonia, but also 44% in Russia and 49% in Ukraine. 8 of the 13 analysed post-socialist countries still did not reach the level of 1989 in 2010, whereas Russia had reached 77% and Latvia 56%. The figures show that the decline in industrial production of the former Soviet Union countries lasted twice longer than in the post-socialist (CEE) countries that had not belonged in the Soviet Union. Of the former Soviet Union countries, only Estonia was above the level of 1989, as well as Ukraine in three years. However, the decline of 2009 was the largest in Estonia, Ukraine, and Hungary. The decline of all others was quite small. [15]

That the CEE-8 countries came out of the economic crisis with difficulties. Four of the eight countries had not yet reached the pre-crisis levels. By GDP of PPS, Croatia and Slovenia did not reach the levels of 2008 in 2012. By GDP of the euro, Czech Republic, Croatia, Hungary and Slovenia did not reach the levels of 2008 in 2013. [16]

The GDP – per capita of Czech Republic (27,200) has almost reached the level of Slovenia (27,400) and is approaching Slovakia (24,700) fast. While Croatia’s GDP – per capita (PPP) was higher than that of Russia in 2011 (18,200 > 17,100), in 2013 it was the opposite situation (Russian $18,100 > Croatia’s $17,800). The GDP – per capita of Romania and Bulgaria were lower than Croatia’s GDP – per capita. The GDP – per capita of Lithuanian and Estonian were lower than the GDP – per capita of Slovenia, Czech Republic and Slovakia, but better from the rest of the CEE countries. However, GDP – per capita of all three Baltic States were better than the Russian GDP – per capita. [17]

Two of the weakest economies of the old, rich EU-15 are Portugal and Greece. Some of the new EU Member States have already surpassed their level. Slovenia surpassed the level of Portugal in 2002 and Czech Republic 2006. Slovakia reached the level of Portugal level in 2012. Slovenia and Czech Republic exceeded the level of Greece in 2011. Lithuania should reach this level in 2013, Estonia a little bit later. The CEE countries are well behind the EU average Bulgaria and Romania.

Better overview of the development in these countries should look at the quality of life.

**Discussion & conclusions**

1. While developed economies (GDP) increased 1.5 to 2.5 times in the 1980s, the economy of the USSR decreased by a quarter.

2. The dissolution of the Soviet Union was a process of systematic disintegration, which occurred in economy, social structure and political structure.

3. Centralised planned economy was not as effective as free market economy.

4. In the CEE-8 and the Baltic States, Poland has the economy of the largest volume (GDP) and Slovenia the highest GDP per capita. The differences are very large.

5. The economy and industrial output grew only in a half of the CEE-8 in 2012.

6. Analyzing the GDP at market prices (at current prices) of PPS and of the euro, we see that the CEE-8 countries came out of the economic crisis with difficulties. Four of the eight countries had not yet reached the pre-crisis levels.

7. GDP per capita was the highest among the CEE countries in Slovenia, Czech Republic, Slovakia and Poland.

8. More detailed analysis of key indicators would also provide a more accurate picture.

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**GDP per capita in PPS of the CEE countries. Index (EU28 = 100) [18]**

|          | 2001 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------|------|------|------|------|------|------|------|------|------|------|------|
| Bulgaria | 30   | 34   | 35   | 37   | 38   | 40   | 44   | 44   | 44   | 44   | 47   |
| Czech REP. | 73   | 77   | 78   | 79   | 80   | 83   | 81   | 83   | 81   | 81   | 81   |
| Croatia  | 51   | 55   | 56   | 57   | 58   | 61   | 63   | 62   | 59   | 61   | 62   |
| Hungary  | 58   | 63   | 63   | 63   | 63   | 62   | 64   | 65   | 66   | 67   | 67   |
| Poland   | 48   | 49   | 51   | 51   | 52   | 55   | 56   | 61   | 63   | 65   | 67   |
| Romania  | 28   | 31   | 34   | 35   | 38   | 42   | 47   | 47   | 48   | 48   | 50   |
| Slovenia | 80   | 84   | 87   | 87   | 88   | 89   | 91   | 86   | 84   | 84   | 84   |
| Slovakia | 53   | 56   | 57   | 60   | 63   | 68   | 73   | 73   | 74   | 75   | 76   |
| Estonia  | 47   | 55   | 58   | 62   | 66   | 70   | 69   | 64   | 64   | 69   | 71   |
| Latvia   | 39   | 44   | 47   | 50   | 53   | 57   | 59   | 54   | 55   | 60   | 64   |
| Lithuania| 42   | 50   | 52   | 55   | 58   | 62   | 64   | 58   | 62   | 68   | 72   |
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Information about author:
Toivo Tanning - MSc., Doctoral Candidate, Lecturer, Tallinn School of Economics; address: Estonia, Tallinn city; e-mail: toivo@tmk.edu.ee

Amedeo Avogadro
Roberto, stop demonstrating us the bags with potatoes and cabbage you bought on the market! This isn’t the best way to illustrate the principle of identical quantity of molecules in gaseous substances of equal volumes, density and temperature...

Idea by - B.Zhytnin
Illustrator - Y.Simonov
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