

30 Years of Freedom in CEE: Various Paths and Destinations



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The division of the world into the first (capitalistic) world and the second (communistic) one for decades seemed very stable. If anything, Communism was often supposed – and even more often advertised – to be more efficient. Western economists were estimating when the second world will surpass the first one. In 1961, Nobel Prize winner Paul Samuelson predicted that the Soviet Union would have higher per capita product than the United States sometime between 1998-1997¹ and he maintained his forecast up to 1980, pushing the nefarious moment to between 2002 and 2012. Luckily, Nobel Prize winners tend to be very wrong in their anticipations and around 1989 the Communist Block collapsed – mainly due to economic reasons. This turn of events opened a new path to many nations, which were formerly under Soviet rule.

THE LANDSCAPE

Former socialist countries span most of the Asian continent, and a good part of Africa and Europe [See: Figure 1]. After the collapse, Communism became almost extinct – with the notable exception of China and its satellites. It is hard, however, to call China communist anymore – especially when it comes to the economy. Let us therefore take a look into the European post-Soviet countries, as well as the Asian ones that appeared after the deconstruction of the USSR.

It is important to understand that for most of the countries, the transformation was a complete overhaul of politics, economics, and mentality. In fact, it was a true reemergence after decades of oblivion – and for many, the first shot at independence. The cases of Poland, Bulgaria, Romania, or Hungary, which remained in the same shape and

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‘just’ had to change the political and economic regime, were exceptions. It was a turbulent time when countries split. Sometimes it was surprisingly peaceful and efficient – as in the case of Czechoslovakia, which was divided into the Czech Republic and Slovakia.

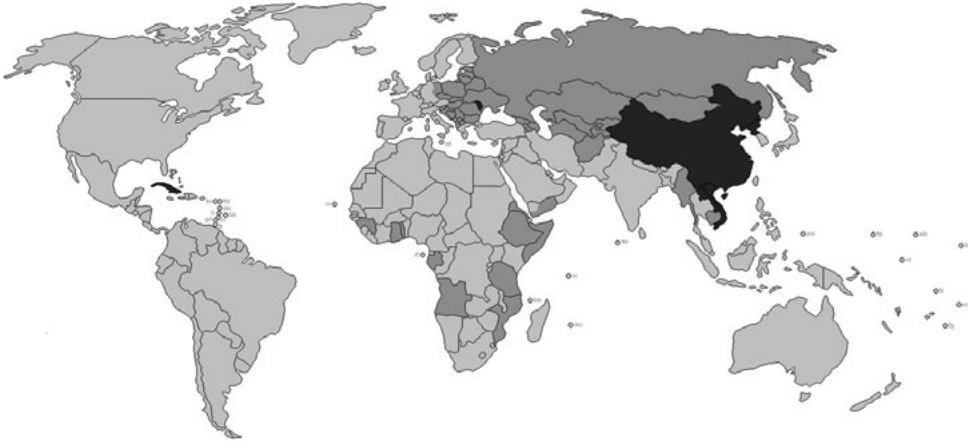
However, this was not always the case. One notable example would be Yugoslavia. There, the decomposition resulted in bloodshed that lasted five years, with “follow ups” – Kosovo and Macedonia – leading to almost a decade of genocide, ethnic cleansing, and a total of 140,000 deaths². Yet, such events were not localized to the Balkans and we need to remember about other conflicts – like the one between Azerbaijan and Armenia, which caused the deaths of over 17,000 people and further displacement of another 750,000³. Even up to today, it is

¹ Samuelson, P. A. and A. Scott (1961) *Economics: An Introductory Analysis*, New York: McGraw-Hill.

² International Center for Transitional Justice (2009) *Transitional Justice in the Former Yugoslavia*, January 1.

³ Popescu, N. (2010) *EU Foreign Policy and Post-Soviet Conflicts: Stealth Intervention*, London: Routledge.

Figure 1: Abandoning communism in the world in 2019 [dark gray – former communist countries; black – communist countries]



Source: Sjorskingma // CC BY-SA 3.0

reported that there are approximately 200 sniper casualties per year, despite the ceasefire that was signed in May 1994.

The time when nations could decide to go their own way did not last long. Russia quickly decided to stop further decomposition of its empire. One way was tying newly formed countries of 'near abroad' in international organizations like the Commonwealth of Independent States or the Eurasian Economic Community. Also, an initially peaceful breakup became far more violent.

Two Chechen wars cost the life of more than 200,000 people⁴ and their sole purpose was to keep Chechnya a part of the Russian Federation. Soon, Russia went on an offensive to rebuild its empire. Border quarrels became the tool of choice to discipline now independent former parts of the USRR that decided to adopt a more pro-Western attitude. This is why Russia is directly or indirectly engaged in invasions and land

grabbing in disobedient former republics creating, Transnistria from the part of Moldova, Abkhazia and South Ossetia from the part of Georgia, and most recently embarking on the annexation of Crimea and the creation of puppet republics in Donbas and Lugansk. Such state of frozen conflict serves as a means of maintaining pressure on these countries, making sure they cannot integrate into the Western institutional system.

Even when the transition was peaceful, most of the countries had to face the issue of rebuilding their identities in addition to reforming their economies. This was especially pronounced in the countries that had very little former experience of being independent. In most cases, their nations were under heavy Russian influence, and had previously undergone extensive Russification, as well as active colonization by ethnic Russians.

POST-SOVIET IDENTITIES

In 1991, after the dissolution of the USSR, about 25 million ethnic Russians were living outside Russia, creating large minorities

⁴ *The Moscow Times* (2005) "Death Toll Put at 160,000 in Chechnya", August 16.

(over 20% of population in Kazakhstan, Latvia, and Estonia)⁵. So one of the first tasks of the new nations was to distinguish their own national identity from that of a Russian identity. This meant the reintroduction of national languages. They were often not a default language for inhabitants, as Soviet politicians tried to make national languages mostly a matter of folklore, while Russian was the language of art and science. Yet, such transitions had to be made carefully so as not to anger the powerful neighbor and a large part of their own populations that spoke Russian. Even today, about 30% of the population of Ukraine does not speak Ukrainian, and in 2016, only a quarter of all magazines and a third of newspapers were printed in Ukrainian⁶.

Nonetheless, most of the post-Soviet countries managed to officially raise the rank their native languages and keep Russian as a secondary language, despite the fact that some politicians (eg. Ukrainian President Leonid Kuchma in 1994⁷ or Vladimir Voronin in Moldova in 2001⁸) rose to power on the promise of making Russian the official language in their respective countries⁹. This policy seems more and more controversial considering the idea of 'ruskij mir' – a protectorate proclaimed by Russia extending over all places where Russian is spoken.

⁵ Greenall, R. (2005) "Russians Left Behind in Central Asia", [in]: *BBC News*, November 23.

⁶ https://www.bbc.com/ukrainian/rolling_news_russian/2016/11/161108_ru_n_language_rates

⁷ Bilaniuk, L. (2005) *Contested Tongues: Language Politics and Cultural Correction in Ukraine*, Ithaca, New York: Cornell University Press.

⁸ Ciscel, M. (2008) "Uneasy Compromise: Language and Education in Moldova", [in]: *International Journal of Bilingual Education and Bilingualism*, Vol. 11(3-4), pp. 373-395.

⁹ Pavlenko, A. (ed.) (2008) "Multilingualism in Post-Soviet Countries", [in]: *Multilingual Matters*, Vol. 11(3-4), pp. 1-40.



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It seems that language, as a matter of identity, became an issue of sovereignty. This was confirmed by the case of Belarus – the only country that allowed Russian to be the second official language. As a result, Belarusian is rarely used and limited mostly to ceremonial applications. At the same time, Belarus is clearly on the path to being incorporated by Russia¹⁰.

Despite defining their identities in opposition to Russia, the post-Soviet countries were not anti-Russian. On the contrary – they felt a deep connection with Russia, and most of them gladly entered such organizations as the Commonwealth of Independent States that oversaw most of the former USSR. In contrast to Central European countries, the societies of many post-Soviet countries were not condemning communism either. It is enough to mention a continued reverence

¹⁰ Marples, D. (2006) "Color Revolutions: The Belarus Case", [in]: *Communist and Post-Communist Studies*, p. 39.

to infamous Vladimir Lenin – for instance, in the main State History Museum of Bishkek, Kirghistan (formerly Lenin Frunze Museum) is still dedicated chiefly to this leader. Such sentiments are clearly unfathomable in Europe, where in some countries (eg. Poland) the symbols of Communism have been banned along with the symbols of Nazism.

In contrast, Central European countries became far more anti-Russian and anti-communist from the start of the transformation. The political opposition and uprising against Soviet domination were frequent in Czechoslovakia, Poland, and Hungary – even if brutally extinguished either by local collaborators or by foreign intervention. The political movement of Solidarity under the leadership of Lech Walesa is often credited with toppling Communism, but this time it succeeded only because of a lack of willpower on the side of Soviets.

The Polish bloodless revolution of 1989 was from the beginning conducted in fear of the reaction to the Russian military. Remembering the suffering that came at the hands of Russians, the V4 countries (Poland, Hungary, Czechia, and Slovakia) along with Baltic states (Latvia, Lithuania, and Estonia), Romania and Bulgaria set firmly their allegiance to the Western world by applying for membership into NATO and the European Union (EU). This strategy has proven to be successful, which was not obvious in the early 1990s, and required careful lobbying mostly in the United States.

Strangely, even greater suffering at the hands of Russians in the form of ‘hloodomor’ (great hunger that was induced at the order of Joseph Stalin, which cost the life of 10 million people) did not create the same effect in Ukraine. This was, however, accomplished by the invasion of Crimea and Donbas. It seems that these events have permanently changed public sentiments towards Russia



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and the emancipation of Ukraine, which is evident, for example, with the Ukrainian Orthodox Church gaining autocephaly (independence from Russian patriarchs in Moscow)¹¹ despite protest from both the Russian church and authorities.

POLITICAL TRANSFORMATION

The changing of the political regime was yet another task. One needs to remember that Communism in the late 1980s was quite different than that in the first half of the 20th century. Since 1953, the regime was slowly easing from totalitarian to autocratic. After the fall of the Communism, the newly formed states declared to be democracies. Still, we need to remember that the USSR also considered itself a form of democracy, so this term is quite ambiguous. The Central European countries, along with the Baltic States, became liberal democracies, at least for the time being. The aspiration to join the EU, along with society’s sentiment, forced such a solution.

¹¹ Ecumenical Patriarchate (2018) *Announcement (11/10/2018)*. Available [online]: <https://www.patriarchate.org/-/communig-1>

Table 1: GDP per capita PPP constant dollars 2011 dollars in 1990

Country	GDP	Year other than 1990	World rank
Russian Federation	\$ 20 639		36
Czech Republic	\$ 20 023		37
Slovenia	\$ 18 899		38
Hungary	\$ 15 156	1991	39
Kazakhstan	\$ 13 050		39
Slovakia	\$ 11 633	1992	40
Romania	\$ 11 446		40
Croatia	\$ 12 754	1995	41
Estonia	\$ 10 626	1993	41
Ukraine	\$ 10 464		41
Poland	\$ 10 277		45
North Macedonia	\$ 9 633		48
Bulgaria	\$ 9 297		51
Lithuania	\$ 9 357	1995	51
Montenegro	\$ 10 531	1997	52
Azerbaijan	\$ 8 790		52
Latvia	\$ 8 316	1994	52
Belarus	\$ 8 367		53
Turkmenistan	\$ 8 317		55
Georgia	\$ 7 984		62
Albania			66
Serbia	\$ 7 349	1995	67

Country	GDP	Year other than 1990	World rank
Armenia	\$ 3 742		67
Tajikistan	\$ 3 661		69
Kyrgyz Republic	\$ 3 475		73
Uzbekistan	\$ 3 089		74
Moldova	\$ 3 154	1992	95
Kosovo	\$ 4 626	2000	103
Bosnia and Herzegovina	\$ 1 476	1994	104

Source: World Bank

The recent rise of illiberalism, especially pronounced in Central Europe, puts these achievements at risk. Freedom House downgraded Hungary to “partially free”¹². Poland is heading the same way, albeit at a much slower pace, due to resistance in the EU that does not want to allow for the repetition of the Hungarian scenario. Luckily, it seems that these trends have been reversed in Slovakia with the election of a new liberal president, Zuzana Čaputová.

The Balkan states on the other hand, are quite a mixed batch – mostly due to a violent history as wartime promoted authoritarianism. According to Freedom House, Croatia and Slovenia, also EU members, are considered “free”, while the rest of the countries of former Yugoslavia remain “partially free”. This situation is expected to improve as these states have aspirations to join the EU, and must first comply with liberal democracy standards.

This is not the case with post-Soviet countries. According to Freedom House, Armenia, Georgia (performing very well in all other indexes), Kyrgyzstan, Moldova, and Ukraine were considered “partially free”. Azerbaijan, Belarus, Kazakhstan, Russia, were deemed not free while Tajikistan, Turkmenistan and Uzbekistan were on the “worst of the worst list”.

The autocracies in these countries are not necessarily without democratic mandate. Dictators like Vladimir Putin, Alexander Lukashenko, or Nursultan Nazarbayev (who has just stepped down after ruling Kazakhstan since the collapse of USSR, as it was the political pattern in Soviet successor states of the Central Asia) are extremely popular and would win the popular vote in a landslide. Still, they choose to falsify the elections in order to present their strength both by proving that they can perform such feat with impunity and showing exaggerated support, which is supposed to justify their actions as following the will of the people. This is a kind of benevolent (as long as the approval ratings are high) dictatorship. Yet, in some cases, it was still the case of dealing with bloody dictatorships of the worst

¹² Freedom House (2019) *Freedom in the World 2019*. Available [online]: https://freedomhouse.org/sites/default/files/Feb2019_FH_FITW_2019_Report_ForWeb-compressed.pdf



WITH THE STEADY GROWTH OF 3.7% PER YEAR, POLAND HAS BEEN A CLEAR WINNER OF TRANSFORMATION

kind, and for these nations the fall of USRR was actually a step-down from the point of their freedom.

ECONOMIC TRANSFORMATION

We need to remember that the fall of Communism was mostly induced by a highly inefficient economy. Noteworthy, in 1990, not all second-world countries were poor and the picture was rather complicated [See: Table 1]¹³. In order to keep the values in Table 1 in perspective, the countries were ordered by the rank they achieved in the World as measured by their GDP per capita (PPP, constant 2011 dollars). Clearly, we can see the situation is far from homogeneous. The top of the list is occupied by a collapsing Russia, which had quite a high standing in the world (36th) with respect to economic product. The problem was, however, the quality of the production – central planning lead to the situation in which strategic, but mostly useless, products and technologies were promoted at the expense of innovation and entrepreneurship.

When we look at the list in Table 1, we see Czechia followed by Russia and Slovenia.

Then there is a rather long list of countries with GDP per capita of over USD 10,000 with a rank over fifty in the global wealth ranking. This part of the list starts with Hungary and ends with Poland. The bottom part contains countries that fit between 50th and 100th in GDP per capita in the world. That part starts with Bulgaria, and ends with Moldova. As one may see, second-world countries were not that poor even at the time of the collapse of the economic system.

So how has economic transformation worked out once the shackles of central planning were removed? Surprisingly bad. There are countries that actually are in worse condition than in 1990. Most notably, Ukraine lost about 1% of its GDP per year until 2017. Tajikistan is not much better – oscillating at the level of 0.64% loss per year. Kirghistan is virtually in the same situation as it was thirty years ago, and we have to keep in mind that the past thirty years were mostly a time of excellent prosperity – event taking into consideration the 2007 global financial crisis.

The mentioned losers of transition actually dropped about 35-55 places in the global ranking of GDP per capita. Just to keep the same relative place, these countries had to develop at the pace of 2% per year – if they were rich to start with. For the poorer ones, the pace had to be even greater.

The last three decades were the times that required “running to stand still”, as many countries have been rising from poverty – mostly in Asia. Actually, from all of the countries for which we have data since 1990, just seven improved their standing, and only one (Poland) significantly so. With the steady growth of 3.7% per year, Poland has been a clear winner of transformation, surpassing Hungary, Russia, Ukraine, Romania, and Kazakhstan. The Polish result is matched only by Albania (which started from a much lower

¹³ The data series start in various years as the countries emerged.

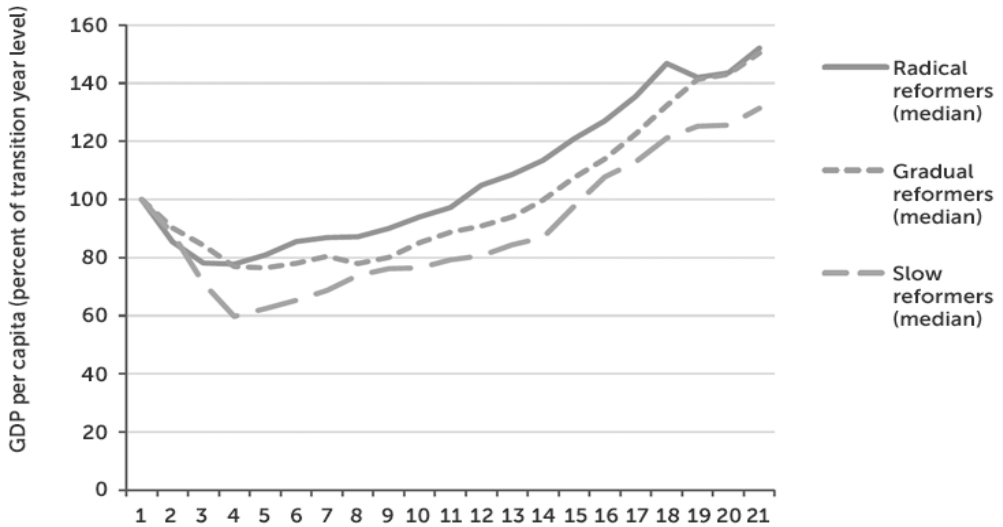
Table 2: Economic performance after 30 years of transformation

Country	GDP 2018	Average growth	Improvement in global ranking
Poland	\$ 28 752	3,74%	22
Albania	\$ 12 306	3,69%	14
Bulgaria	\$ 19 321	2,65%	8
Belarus	\$ 17 742	2,72%	8
Turkmenistan	\$ 17 129	2,61%	6
Slovenia	\$ 32 743	1,98%	5
Czech Republic	\$ 33 414	1,85%	4
Romania	\$ 24 544	2,76%	0
Kazakhstan	\$ 24 738	2,31%	-2
Azerbaijan	\$ 16 011	2,16%	-2
Armenia	\$ 9 178	3,26%	-2
Uzbekistan	\$ 6 240	2,54%	-8
Russian Federation	\$ 24 791	0,68%*	-13
North Macedonia	\$ 13 483	1,21%	-18
Georgia	\$ 10 152	0,86%	-27
Kyrgyz Republic	\$ 3 447	-0,03%	-34
Tajikistan	\$ 3 061	-0,64%	-43
Ukraine	\$ 7 907	-1,03%*	-54

* Data for 2017

Source: World Bank

Figure 2: GDP per capita during the transition [transition year = 100]



Source: Shleifer, A. and D. Treisman (2014) "Normal Countries: The East 25 Years After Communism", [in]: *Foreign Affairs*, Vol. 93, pp. 92

level of development), and Slovakia¹⁴. The Polish 1990s reforms authored by Leszek Balcerowicz are treated as the template for many other countries with an economy under transformation. Other winners are Bulgaria, Belarus, Turkmenistan, Slovenia, and Czechia. Meanwhile, Romania, Kazakhstan, Azerbaijan and Armenia nearly maintained their standing.

Probably the biggest loser, besides Ukraine, is Russia. With a mere 0.7% yearly growth, it did not only drop thirteen places in the said global ranking, but also fell below Poland, Slovenia, and Czechia. It is clearly a painful blow to this proud nation that in many aspects used to be on par with the United States. This also explains many aggressive moves by Russia against its neighbors. If the government cannot provide an increase in

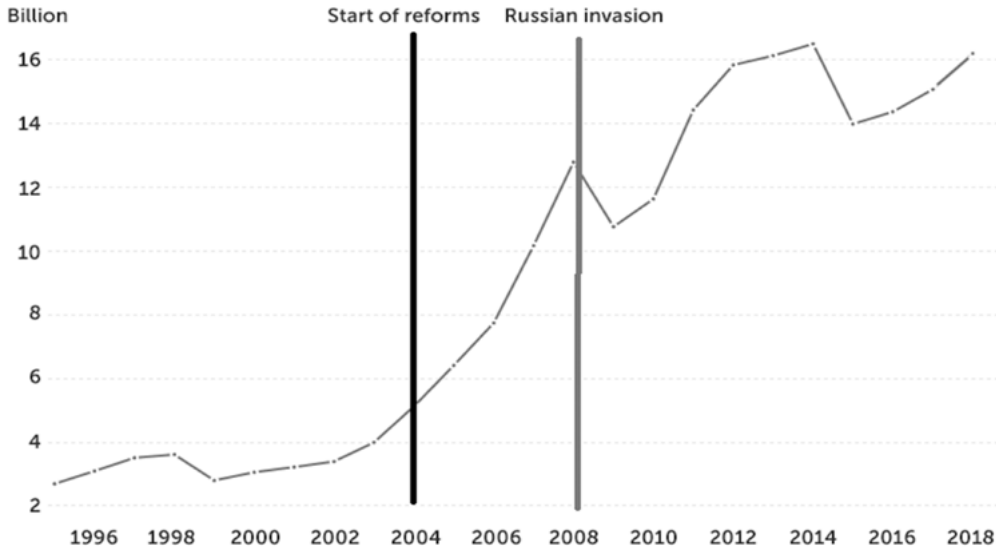
living standards comparable to its formerly poorer neighbors, it must provide for other needs of the nation in order to keep the power. In this light, the Russian need of national pride was chosen as a way to neutralize frustration coming from weak economic performance.

EXPLAINING VARIOUS OUTCOMES

This puzzle of very different outcomes of economic transformation begs for an explanation. The anecdote says that there were three models of economic transformation in communist countries: the first was to sell public companies to foreign corporations; the second was to steal them with friends; and the third, to steal them with family. The former applied mostly to Central Europe, the second applied to Russia and Ukraine, whereas the third one to Central Asia. Of course such a view is a gross oversimplification, it still holds at least part of the answer.

¹⁴ <https://www.economist.com/graphic-detail/2016/05/05/comparing-crony-capitalism-around-the-world>

Figure 3: Georgia GDP per capita PPP vs major events



Source: Based on the World Bank data

Selling everything to western corporations and applying for membership in western organizations had profound effects. Firstly, it meant the import of Western institutional governance, the rule of law, and anti-corruption measures. Secondly, for the most part it prevented the creation of local oligarchy as inflows from privatization were spent on supporting heavily underfunded state functions. Hence, no local “strong men” that could easily corrupt politicians appeared, and democracy could resume its normal functions supported by a system of checks and balances.

Echoes of this situation are clearly visible in *The Economist’s Crony Capitalism Index*, which is supposed to measure how much oligarchs are intermingled with government. The first place, out of twenty-two countries measured, went to Russia, while fifth place went to Ukraine. The only other ranked post-communist country is Poland – it occupies

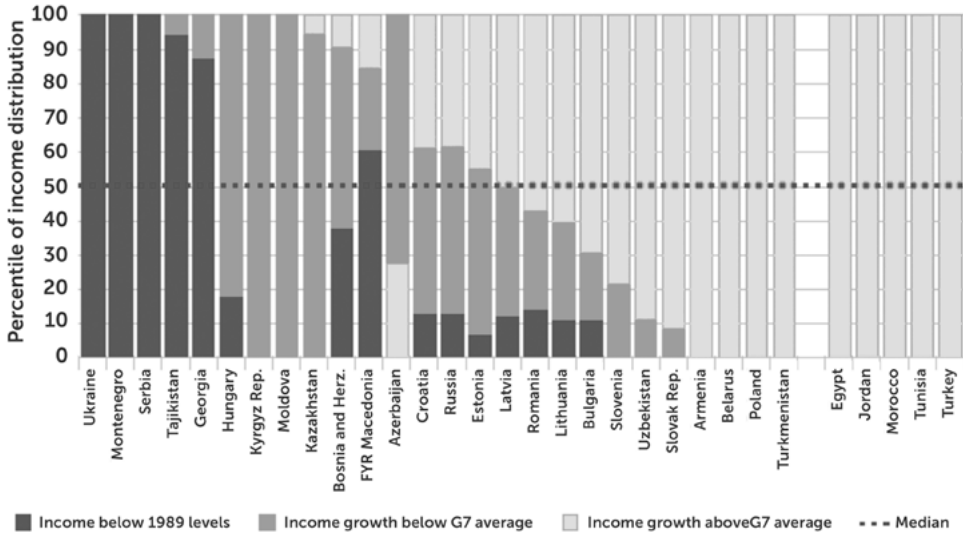
the 21st place, thus being almost at par with Germany, which is 22nd (and last)¹⁵.

The same was not true in the case of other countries where people that seized state-owned assets quickly took hold of political power too (or, the other way around – at this point it is hard to determine which came first). These people became entrenched in authority and limited any innovation and entrepreneurship in their country. This approach was to make sure their position was unchallenged, but, at the same time, severely limited economic growth and benefits arising from globalization.

This slow-down in many cases meant stagnation, unless a particular country had access to natural resources – mainly oil and natural gas. In such a case, the key to power was controlling this resource. But even this did not guarantee constant prosperity, and

¹⁵ Ibid

Figure 4: Percentiles of the population with income growth above/below the G7 [average] (1989-2016)



Source: European Bank for Reconstruction and Development (2016) *Transition Report 2016-17*

exposed countries to the great instability of global commodity markets. This led to a temporary surge of income during good times, and a slide into despair when oil prices dropped. That is the reality of oil-dependent countries like Russia, Kazakhstan, or Azerbaijan.

Reliance on natural resources is another reason for different paths of economic development. Oil extraction and export is a low-hanging fruit yielding large profits, hence it does not seem worthy to pursue other activities. Because of that, the economy becomes too focused on a single industry, while other sectors remain underdeveloped – even such crucial ones as agriculture.

This was especially visible in the case of Russia, where most foodstuffs were traditionally imported: about 40% of the domestic fruit consumption, approximately 80% of the meat and meat products consumption, fish and seafood, milk and dairy products,

and approximately 90% of vegetable consumption¹⁶. The Russian counter-sanctions introduced in 2014 on food from the West caused immediate shortages on the market. This was presented as the chance to rebuild local farming. Indeed, production of some foodstuffs increased, but Russia still struggled in many other respects – e.g. dairy products¹⁷. Anyhow, the prices of food spiked (an increase of 18% in the first year of the embargo, and 11% in the second year), while the economy was very weak. This translated into additional hardships for the poorer part of the population.

Ironically, the countries devoid of valuable natural resources have fared much better, as they were forced to transform their

¹⁶ <https://financialobserver.eu/cse-and-cis/banning-food-from-the-west-will-not-bring-success-to-russian-manufacturers/>

¹⁷ <https://www.usnews.com/news/best-countries/articles/2017-08-18/3-years-of-sanctions-changes-russias-food-market>

economy much more rapidly. The pain of transformation was greater, but the yield significantly higher. Apparently, the depth of the initial reforms had a direct relation to the successful transition to a market economy and so the effects lasted for decades¹⁸ [See: Figure 2]. This phenomenon was an answer to a debate from the beginning of transformation: should reforms be gradual to minimize the pain, or should they be deep while there is still social acceptance for them? Clearly, the first approach leads to a situation in which the reforms are not implemented at all.

ATTEMPTS TO CATCH UP

Some countries that used to be slow reformers decided to repeat the success story of Poland – even asking for direct help from the authors of the reforms. This was the case of Georgia under the first presidency of Mikheil Saakashvili when he basically eliminated corruption, the influence of oligarchs, cut red tape, and attracted foreign investment. As a result, Georgia has for years been among the top friendliest countries to start and run a business in¹⁹.

After that, the Georgian economy started growing at a much faster pace and became quite resistant to external shocks. Even the Russian invasion in 2008 gave the economy only a temporary pause [See: Figure 3]. It seems that despite late reforms, Georgia is on its way to developing a modern and vibrant economy that is already quite integrated with the developed world. If it was not for the frozen conflict with Russia, Georgia might very well be a member of the EU.

¹⁸ Shleifer, A., D. Treisman (2014) "Normal Countries: The East 25 Years after Communism", [in]: *Foreign Affairs*, Vol. 93, p. 92

¹⁹ World Bank (2019) *Doing Business 2019*. Available [online]: https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf



OUT OF FIFTEEN COUNTRIES WITH THE LOWEST FERTILITY IN THE WORLD, SIX ARE POST-COMMUNIST COUNTRIES

It seems that the case of Georgia was also one of the role models for reforms in Ukraine, which was facing stagnation similar to the one in Georgia before 2000. However, being far larger and having wealthier and more entrenched oligarchs, the road for Ukraine has been much more difficult. This could be seen, for example, when looking at how slowly the anti-corruption measures have been introduced²⁰.

It remains a great hope for the region that they eventually will succeed in their struggle to build a strong and efficient state. Ukraine is far too important for the region, but has remained largely unreformed and a hostage of its past.

INEQUALITY AND TRANSFORMATION

It is also interesting to look at how the effect of transformation was distributed between members of the society. Initially, the wealth

²⁰ Lough, J. and V. Dubrovskiy (2018) *Are Ukraine's Anti-Corruption Reforms Working?*. Available [online]: <https://www.chathamhouse.org/sites/default/files/publications/research/2018-11-19-ukraine-anti-corruption-reforms-lough-dubrovskiy.pdf>

(or lack thereof) was distributed quite equally (apart from a narrow governing caste). The introduction of capitalism and privatization quickly increased inequality. If state-owned property was seized by local oligarchs, inequality was much larger than in the case of selling it to foreign corporations, where cash inflows were redistributed through the state budget. As a result, the GINI coefficient in Russia is almost twice as big in Slovakia, and 30% higher than in Poland²¹.

Secondly, the effects of the growth were not equally distributed in the post-communist countries. In 2016, in many countries, the income level for many income deciles was worse than in 1989. This is true for virtually anyone in Ukraine, Tajikistan, Georgia, and the Balkan countries that engaged in warfare in the 1990s: Montenegro, Serbia, Bosnia and Herzegovina, and Northern Macedonia.

The poorest inhabitants of Hungary, Croatia, Russia, Latvia, Estonia, Lithuania, and Bulgaria still have a lower income than in 1989. There are very few countries where income growth was fast and dispersed across all income groups – among this elite group we may find Poland, Armenia, Belarus, and Turkmenistan. In other countries, fast income growth was seen only by the highest income groups – with the curious exception of Azerbaijan, where the poorest are the ones that have seen the fastest income growth [See: Figure 4].

WHAT LAYS AHEAD?

What lays ahead for post-communist countries? One may say that after thirty years, the transformation is all but complete. Of course, this is not true – or at least not entirely so.

The Central European and Baltic countries may be considered finished with transformation, and now they are undergoing similar processes as the rest of the Western world – including facing the troubling rise of illiberalism. The host of countries from the Balkans that are far along in the EU membership negotiations seem to be nearly transformed. There are countries at the beginning of their transformation process, but who are determined to finish it – at least for now (Ukraine, Georgia, and Moldova). Still, there are some states that stagnated in their oligarchy (Russia, Belarus, or Kazakhstan).

Finally, there are countries that took a step back from the times of the USSR – like Tajikistan, Turkmenistan, and Uzbekistan. It seems that after thirty years of grouping countries on the basis of the fact that they used to be communist has, to a large degree, lost its merit.

Even so, there are issues common to all of them. The first one is clearly Russia. It has proven to be a predatory and aggressive state. This arises, among others, from the failure of its own economic transformation. Nonetheless, or even more so, the Russian government successfully tries to maintain popular support in the society by projecting its military power abroad.

Yet, such feats weaken Russia even further – due to military spending, a need to support puppet states, and international sanctions, which leads to a viscous circle. Nevertheless, the situation may be even worse. A demographic and economic collapse may lead to positive changes in the country, but in all likelihood may instead bring an even more aggressive regime to power.

This threat is a large concern for all neighboring countries – especially the ones that are not members of NATO. But even these that are worried feel exposed – as military

²¹ CIA Factbook. Available [online]: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>

aggression would bring them to their knees within hours, or days at most. This is an insufficient amount of time to mobilize NATO forces and create a counterstrike. This is precisely why there is a fear in eastern flank of NATO that such a reaction would never happen – akin to the situation at the start of World War 2, when western allies abandoned Central Europe. These fears are aggravated by remarks of President Donald Trump, who questions Article 5 of the NATO treaty²².

The second common problem is demographics. The transformation accelerated demographic transition in the post-Soviet countries. Nowadays, just three of them have a fertility ratio of more than the replacement rate (Tajikistan, Kyrgyzstan, and Kazakhstan). Out of fifteen countries with the lowest fertility in the world, six are post-communist countries (Bosnia and Herzegovina, Poland, Romania, Slovenia, Croatia, and Slovakia)²³.

For these countries, at a total fertility ratio of about 1.3–1.4, each new generation is about half the size of the previous one. This trend, coupled with large-scale emigration – especially in the case of the countries that have access to a single European market – will cause significant disturbances in the economy and societal fabric of post-communist countries, especially in pension systems, healthcare, and long-term care. The first cracks in these systems are already visible and require a higher tax burden for younger generations²⁴. This, in turn, may

induce further waves of emigration to the West – which is facing similar kinds of problems, and only new migrants will help developed countries to deal with it.

The real but frightening perspective for many post-communist countries is becoming “a country of old men” – meaning a sizable portion of population is above the productive age. When Poland was joining the EU in 2004, at the time it was one of its “youngest” members. Now, it is on its way to becoming the oldest one in a mere twenty years²⁵. This is precisely the scale of incoming challenges for post-Soviet states.

In what we know now as Eastern Europe, transformation into a market economy was fueled mostly by an abundance of cheap, well-educated, and motivated labor. Currently, these countries face a need to support a large population of old people without social disruption; a monumental task about which no politician is ready to talk yet. Let us hope they acknowledge it and take any and all necessary precautions before it is too late.

²² <https://www.nytimes.com/2018/07/18/world/europe/trump-nato-self-defense-montenegro.html>

²³ <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2127rank.html>

²⁴ Kasprowicz T. (2016) “Polskę czeka twardy emerytalny karambol”, [in]: *Obserwator Finansowy*. Available [online]: <https://www.obserwatorfinansowy.pl/forma/rotator/polske-czeka-twardy-emerytalny-karambol/> [in Polish]

²⁵ http://www.tokfm.pl/Tokfm/1,103454,10865218,Za_30_lat_bedziemy_najstarszym_spoleczenstwem_Europy_.html [in Polish]



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