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Thirty years of economic transition in the former Soviet Union: Microeconomic and institutional dimensions

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Abstract

The post-communist transition in the former Soviet Union (FSU) cannot be considered entirely successful, especially in the political and institutional spheres. Nevertheless, in the economic sphere, the transition process succeeded in rebuilding the foundations of market economies based on private ownership by the early 2000s, even if the adopted policies and institutions have proved suboptimal and distortive in many countries. The transition experience in the FSU region has demonstrated a correlation between political and economic reforms, with a strong impact of the former on the latter. The deficit of democracy, civil freedoms and the rule of law has negatively impacted the course of the economic transition, causing significant delay, distortions and partial reversals.

Keywords: post-communist transition, former Soviet Union, economic liberalization, economic integration, privatization, governance, economic freedom, political freedom.
JEL classification: F15, F51, N14, N44, P31, P33, P37, P52.

1. Introduction

On December 26, 1991, the Union of Soviet Socialist Republics (USSR), popularly called the Soviet Union, ended its formal existence. Twelve republics, which remained at that time Union's members,[1] gained full sovereignty. Although some market-oriented reforms were undertaken since 1987, under the *perestroika* (reconstruction) policy initiated by the General Secretary of the Communist

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[1] Three Baltic republics (Estonia, Latvia, and Lithuania) gained a full independence four months earlier, at the end of August 1991, immediately after the failure of the short-lived *coup d'état* initiated by the hardline group within the CPSU leadership.

Party of the Soviet Union (CPSU) Mikhail Gorbachev, they had only partial and often chaotic character, causing severe macroeconomic imbalances and making the Soviet economy unmanageable (Dabrowski, 2022a). Thus, the dissolution of the USSR, the collapse of the political and ideological monopoly of the CPSU (formally dissolved at the end of August 1991), and the dramatic economic crisis of 1989–1991 created the political room and necessity to initiate more comprehensive economic transformation.

However, political and economic conditions differed between the successor states of the former Soviet Union (FSU), which caused an uneven pace of reforms. The Baltic States successfully chose the strategy of rapid and comprehensive political and economic reforms, resulting in their accession to the European Union (EU) in 2004. The pace of market transition in other FSU countries was between slow and moderate, resulting in numerous structural and institutional distortions, unfavorable business and investment climates, and continuous macroeconomic disequilibria.

The result of the political transition was even more discouraging. After a short period of partial political freedom and democracy, initiated under the *glasnost* (openness) policy of Mikhail Gorbachev at the end of the 1980s, and soon after the dissolution of the USSR, individual countries started to rebuild the autocratic system of political power. This trend started in Central Asia (apart from Kyrgyzstan) immediately after gaining independence, followed by Belarus and the Southern Caucasus in the second half of the 1990s and Russia in the early 2000s. As of the early 2020s, only four countries (Armenia, Georgia, Moldova, and Ukraine) were rated by the Freedom House's Freedom in the World (FHFIW) survey as partly free. All remaining FSU countries were ranked unfree (Repucci and Slipowitz, 2022). As demonstrated in this paper and elsewhere (Dabrowski, 2022b), economic and political transitions in the post-communist countries were correlated, with the political one impacting the pace of economic reforms.

This paper[2] aims to analyze the speed and degree of post-communist transition in twelve FSU countries since the dissolution of the USSR. In principle, we exclude three Baltic States from our analysis because they chose another (more radical) path of reforms from the beginning of their independence in 1991. In 2004, they became members of the EU and the North Atlantic Treaty Organization (NATO). However, they serve as a benchmark for other FSU countries when such a comparison is relevant and analytically helpful. Our analysis concentrates on the microeconomic and institutional dimensions of economic transition. Macroeconomic issues have been the subject of another paper (Dabrowski, 2022a) but are referred to when necessary. The same concerns political and geopolitical changes in the region: although they are not the central topic of our analysis, they are considered an essential determinant of economic policies and reforms.

Our analysis starts with a short characteristic of the Soviet economic legacy, which determined the initial condition of the post-communist transition in the early 1990s (Section 2). It is followed by two sections analyzing the critical transition process components: economic liberalization (Section 3) and privatization (Section 4). Section 5 deals with institutions and governance. Section 6 analyzes economic growth performance in the post-Soviet period. Section 7 summarizes our analysis and offers policy conclusions.

[2] This is a shortened, revised and updated version of Dabrowski (2023).

A cross-country statistical comparison based on harmonized international data sources is the dominant analytical approach in the empirical part of this paper. National data sources are used exceptionally, mainly for illustrating individual country cases. When we analyze socioeconomic indicators, we rely on international databases. They are provided by the International Monetary Fund (IMF), World Bank, World Trade Organization (WTO), European Bank for Reconstruction and Development (EBRD), United Nations Conference on Trade and Development (UNCTAD), and others. It is crucial to notice that some of these databases remain incomplete, especially for the first years of transition or countries that were the reform laggards and preferred to stay informationally closed to the external world. In the latter case, the quality of statistics is often problematic, even if processed and verified by international financial and development institutions.

The measurement problems become even more challenging when one tries to quantify more complex phenomena and qualitative characteristics, for example, various dimensions of economic freedom, business and investment climate, governance, corruption, etc. The most frequent way of measuring and comparing them between countries is using composite numeric indices produced by global development institutions and non-governmental organizations (NGOs). They allow for cross-country comparison and dynamic analysis of changes in individual countries.

However, one must know the methodological difficulties in constructing and interpreting such indices. First, quantifying phenomena with a qualitative character requires relying on selected proxy indicators. Second, measuring such proxy indicators is usually done by surveying the opinions of either experts or business practitioners. That is, they have, by definition, a subjective character. There is also the question of the representativeness of these opinions. Third, the construction of composite indices can also be disputable regarding their composition (selection of detailed measures) and the weights attached to the individual components. Fourth, frequent correlations exist between these components (multicollinearity), which may distort the final results. Finally, the detail methodologies of some surveys have changed over time.

2. The Soviet economic legacy

The Soviet economic system was formed at the end of the 1920s and early 1930s by Joseph Stalin and based on Marxist-Leninist orthodoxy. It replaced private ownership of means of production with state and collective ownership and a market mechanism by central planning and command management. Private ownership was ideologically condemned and legally forbidden. The former owners of means of production became subjects of brutal repressions.

The dominant role of the central plan and strict multi-level vertical management characterized the command economy of the Soviet type. The State Planning Committee (Gosplan) set production targets, allocated inputs (including labor), and took investment decisions. The lower levels of the administrative hierarchy (sectoral ministries, branch organizations, and enterprises) were obliged to observe them, subject to material and non-material reward and punishment. Prices, financial flows, and budget constraints played a secondary role. Prices and wages were determined administratively. There was a state monopoly of foreign trade, and the currency remained inconvertible, resulting in multiple exchange rates. The Soviet economy was isolated from world markets.

Between the late 1920s and early 1950s, the five-year plans aimed at forced industrialization, with the priority on heavy and military industries, at the cost of other sectors, and severe human losses and suffering (the famine in the early 1930s and the second half of 1940s, use of forced labor on a mass scale, deportation of large groups of populations from the European part of the USSR to Siberia and Central Asia, the great terror of 1937–1939). Collectivized agriculture was the primary source of financing industrialization, at least at its early stages.

The economic model and policy were partly modified after Stalin's death in 1953 by abandoning mass terror, deportations, forced labor, and moving part of the resources from heavy industries to consumer and agriculture sectors. However, the main pillars of the Soviet economic system, such as the monopoly of the state and collective ownership and the centrally planned command system, remained unchanged until the late 1980s.

Over 60 years of central planning[3] resulted in profound structural distortions and limited international competitiveness of the Soviet economy developed in isolation from the world markets. The production of natural resources was the only sector capable of competing in these markets. Since the 1970s, this has been mainly the oil and natural gas industry (Gaidar, 2007).

The Soviet economy was over-industrialized (Blanchard, 1997) and had an underdeveloped service sector. Within the industrial sector, the dominant role was played by the military industry. According to Cooper (1998), military spending in the USSR was equal to 16.6% of the Gross National Product (GNP) in 1987. Because of the far-going autarky in producing Soviet military hardware, this figure had to be translated into the substantial share of the military industry in the Gross Domestic Product (GDP).

Structural distortions were unevenly distributed between the Soviet republics. It is illustrated indirectly in Table 1, which presents the sectoral structure of employment. By these metrics, Russia was the most industrialized republic (40.0% of the total employment), followed by Estonia (37.0%), Turkmenistan (33.6%), and Belarus (31.9%). On the other end of the spectrum were Georgia (10.4%), Azerbaijan (11.1%), Kazakhstan (16.2%), and Armenia (17.1%).

Table 1 also shows the substantial share of agriculture employment in several republics: Tajikistan (55.4% of the total), Georgia (49.8%), Azerbaijan (43,8%), Moldova (43.0%), Armenia (40.4%), Uzbekistan (38.6%), Kazakhstan (37.7%), and Kyrgyzstan (35.5%). It can be considered both a blessing and a curse. On the positive side, it offered a reservoir of a surplus labor force that could be redirected to higher-productivity industries and services, similar to several developing countries, for example, China (Sachs and Woo, 1997). On the other hand, Soviet agriculture was ineffective, heavily distorted, and required a painful restructuring. In particular, it related to large state-owned and collective farms (*sovkhozes* and *kolhozes*), which dominated this sector since the 1930s (as a result of collectivization).

The declining growth rate in the subsequent periods of five-year plans (Table 2) demonstrated the ineffectiveness of the Soviet economic model. In the late 1980s, it reached zero or even became negative.

In addition to declining growth rates, structural distortions, and the absence of market institutions, macroeconomic disequilibrium was another acute legacy of the Soviet

[3] In Baltic States, Moldova, Western Ukraine and Belarus, which were annexed by the USSR in 1939–1940, this period was shorter by approximately 10–15 years.

Table 1
Structure of employment in the Soviet republics, 1991 (modelled ILO estimate, % of total employment).

Country	Agriculture	Industry	Services
Armenia	40.4	17.1	42.5
Azerbaijan	43.8	11.1	45.1
Belarus	12.3	31.9	55.8
Estonia	19.3	37.0	43.7
Georgia	49.8	10.4	39.9
Kazakhstan	37.7	16.2	46.2
Kyrgyzstan	35.5	26.5	38.0
Lithuania	21.4	29.0	49.5
Latvia	17.9	27.8	54.3
Moldova	43.0	24.7	32.2
Russia	14.2	40.0	45.8
Tajikistan	55.4	19.6	25.0
Turkmenistan	27.3	33.6	39.1
Ukraine	22.0	27.6	50.4
Uzbekistan	38.6	29.3	32.2

Source: World Bank's World Development Indicators database.

Table 2
Average annual growth rates of the Soviet economy, 1970–1989 (%).

Indicator	1970–1975	1975–1980	1980–1985	1986	1987	1988	1989[a)]
GNP	3.1	2.1	1.9	4.0	1.3	1.5	–1.0
Industry	5.6	2.4	2.0	2.7	2.9	2.4	
Agriculture	–2.3	0.2	1.2	10.3	–4.0	–3.2	
Services	3.4	2.7	2.2	2.3	3.2	3.5	

[a)] Preliminary assessment.
Source: Ofer (1990).

era. The chronic imbalance between demand and supply and a rigid administrative pricing system produced a physical shortage of goods, i.e., repressed inflation. Using Kornai's (1980) terminology, the "shortage economy" also had other sources, namely the lack of interest of state-owned and collective enterprises in maximizing profits and their involvement in constant bargaining with higher authorities for reducing planned targets and increasing available resources. External disequilibria took the form of persistent tensions in the balance of payments, leading to strict import rationing.

3. Economic liberalization

Economic liberalization was vital to restoring market mechanisms and dismantling the centrally planned command system.[4] It had its domestic and external components.

3.1. Domestic liberalization

Price deregulation played the most critical role on the domestic front, allowing market allocation of resources to work and eliminating massive consumer and

[4] To large extent, this system spontaneously collapsed in the last years of the Gorbachev era, partly due to partial liberalization of a political system (*glasnost'*) and limiting its repressive character, and partly due to partial and poorly coordinated economic reforms.

producer subsidies, the primary source of fiscal deficit and macroeconomic disequilibria (see Section 2; Dabrowski, 2022a). At the same time, it was the most politically difficult component of a market transition. In the USSR, the necessity of price liberalization was publicly discussed in 1989–1991, which increased inflationary expectations. However, until the end of 1991, political authorities were not ready to take such a decision.[5]

Finally, confronted with the widespread physical shortages of goods on the consumer and producer markets, the government of the Russian Federation, led by President Boris Yeltsin, with Deputy Prime Minister Yegor Gaidar in charge of economic reforms, decided to free prices on January 1, 1992. Energy products and services, public transportation, housing rents, and other utilities were excluded from this decision. Most FSU countries followed this decision, although not all immediately and consequently. For example, in Turkmenistan and Ukraine, price liberalization was delayed by two years (Table 3). In 1997–1998, Uzbekistan returned to tighter price controls, and the price deregulation was resumed only after 2016. Belarus also partially reversed price liberalization in 1998–1999 for the next ten years. Some other FSU economies experienced a smaller and shorter reversal of free pricing.

Table 3 presents the EBRD's assessment of the price liberalization process until 2014 (the last year for which EBRD transition indicators were published)—a score of 1 means that most prices continue to be formally controlled by the government. A score of 4.3 means standards and performance typical of advanced industrial economies, that is, complete price liberalization with no price control outside housing, transport, and natural monopolies.[6]

Apart from the earlier-mentioned laggards, FSU countries completed price deregulation in the second half of the 1990s, a few years later than Baltic and Central European countries. Only three FSU countries—Armenia, Georgia, and Kyrgyzstan—obtained a maximum score of 4.3; they fully liberalized their price systems. However, Armenia returned in 2010 to a more regulated price regime.

Allowing an unrestricted creation of private enterprises of various types and their free-market access was another condition to facilitate market competition, balancing demand and supply on consumer and producer markets and effectively allocating resources. Most FSU countries adopted respective constitutional changes and ordinary legislation, including the Western-style civil codes.[7] However, the actual degree of entrepreneurial freedom has remained restricted due to overregulation and poor governance (see Section 5).

3.2. External liberalization

Given the autarkic model of the Soviet economy, the absence of private firms, and the dominance of large enterprises organized according to the branch/sectoral scheme (to facilitate central planning and command management in the Soviet era), opening to foreign competition played a crucial role in building a market mechanism. It required dismantling the state monopoly of foreign

[5] See Fischer (1993) for the overview of economic reform programs discussed in the USSR in 1990–1991. See also opinion of Grigoriev (2019) that reforms should start a year or two earlier.

[6] See https://www.ebrd.com/transition-indicators-history for the methodology of transition indicators.

[7] See Hartwell (2023) in respect to Russia.

Table 3
EBRD's indicator of price liberalization, 1992–2014 (on a scale of 1–4.3).

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	3.3	3.7	3.7	3.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.0	4.0	4.0	4.0
Azerbaijan	2.7	3.7	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Belarus	2.3	2.3	2.7	3.7	3.7	4.0	2.7	2.3	2.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	3.0	3.3	3.0	3.0	3.0	3.0
Georgia	3.3	3.7	3.7	3.7	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Kazakhstan	2.7	2.7	2.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7	3.7	3.7	3.7
Kyrgyzstan	2.3	3.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Moldova	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Russia	3.7	3.7	3.7	3.7	3.7	3.7	3.3	3.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Tajikistan	2.7	2.3	2.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0
Turkmenistan	1.0	1.0	2.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	3.0	3.0	3.0
Ukraine	1.0	1.0	2.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Uzbekistan	2.7	2.7	3.7	3.7	3.7	3.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Estonia	2.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3

Note: 1 — most prices continue to be formally controlled by the government; 4.3 — standards and performance typical of advanced industrial economies: complete price liberalization with no price control outside housing, transport, and natural monopolies.
Source: EBRD.

trade, the process already initiated in the late Soviet period, reducing tariff and non-tariff barriers to imports and exports, and introducing the convertibility of national currencies, at least for current account transactions.

Table 4 provides the EBRD assessment of this process on a scale of 1.0–4.3, similar to price liberalization (see Table 3). The score 1 means widespread import and export controls or minimal legitimate access to foreign exchange, and 4.3 — standards and performance norms of advanced industrial economies: removal of most tariff barriers and membership in the WTO.

A comparison of Tables 3 and 4 suggests a slower pace of external economic liberalization than domestic price deregulation. In 1992, only Russia accomplished meaningful progress on this front. The long and painful process of the dissolution of the Soviet ruble area (Odling-Smee and Pastore, 2001; Dabrowski, 2022a) and the introduction of new national currencies in most FSU countries only in the second half of 1993 postponed their convertibility. Seven FSU countries accepted Article VIII of the IMF Articles of Agreement related to current account convertibility between 1995 and 1997. These were Kyrgyzstan, Moldova, Russia, Kazakhstan, Ukraine, Georgia, and Armenia (Table 5). Belarus, Uzbekistan, Azerbaijan, and Tajikistan did so in the early 2000s. Turkmenistan has not accepted this article yet, remaining in the regime determined by Article XIV of the IMF Articles of Agreement (IMF, 2022).

However, the acceptance of Article VIII has not necessarily meant a full current account convertibility in practice. For example, Uzbekistan continued various exchange restrictions and multiple exchange rates until 2017. Tajikistan returned to multiple exchange rate practices in the 2010s. Belarus and Ukraine resorted to exchange restrictions during subsequent currency crisis episodes. At the end of 2020, Tajikistan, Turkmenistan, and Ukraine continued some limits on current account transactions. In the case of Tajikistan and Turkmenistan, it resulted in multiple exchange rates (IMF, 2022).

The degree of capital account convertibility has been even lower. FSU countries have maintained various instruments of capital controls (Dabrowski, 2013; IMF, 2022). Only Armenia and Georgia have enjoyed relatively liberal regimes.

The events in Ukraine in 2022 changed the picture dramatically. Ukraine had to introduce far-going foreign exchange restrictions to protect its balance of payments in the war economy conditions. Due to Western financial sanctions, Russia seriously restricted its capital account and partly current account convertibility (Dabrowski and Avdasheva, 2023).

Tables 6–7 present the UNCTAD data on import tariff rates on non-agricultural and non-fuel products. Table 6 contains the declared most-favored-nation (MFN) rates. Table 7 — effectively applied rates, considering free trade agreements (FTAs) and other preferential trade agreements (PTAs). Again, they confirm a gradual character of trade liberalization in FSU economies, with several reversals. Nevertheless, the average level of tariff barriers in the analyzed region is relatively modest compared to other emerging-market and developing economies.

Non-tariff barriers (NTBs) often impose higher costs on trade than tariffs, especially in the countries with a deficit of the rule of law and high corruption. Unfortunately, only a few comparative studies tried to quantify the NTB level in the FSU region and were published some time ago. For example, Taran (2008) finds a high frequency of NTBs, especially in the agriculture sector, with the over-

Table 4
EBRD's indicator of trade and FOREX system, 1992–2014 (on a scale of 1–4.3).

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	2.0	2.0	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Azerbaijan	1.0	1.0	1.0	2.0	2.0	2.3	3.0	3.3	3.3	3.3	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Belarus	1.0	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.7	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.0	2.3	2.3	2.3
Georgia	1.0	1.0	1.0	2.0	3.0	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Kazakhstan	1.0	2.0	2.0	3.0	4.0	4.0	4.0	3.3	3.3	3.3	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Kyrgyzstan	2.0	2.0	3.0	4.0	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Moldova	2.0	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Russia	3.0	3.0	3.0	3.0	4.0	4.0	2.3	2.3	2.3	2.7	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	4.0	4.0	3.7
Tajikistan	1.0	1.0	1.0	2.0	2.0	2.0	2.7	2.7	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.7	3.7
Turkmenistan	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3
Ukraine	1.0	1.0	1.0	3.0	3.0	3.0	2.7	3.0	3.0	3.0	3.3	3.3	3.3	3.7	3.7	3.7	4.3	4.0	4.0	4.0	4.0	4.0	4.0
Uzbekistan	1.0	1.0	2.0	2.0	2.0	1.7	1.7	1.0	1.0	1.7	1.7	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	1.7	1.7	1.7	1.7
Estonia	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3

Note: 1 — widespread import and export controls or minimal legitimate access to foreign exchange, 4.3 — standards and performance norms of advanced industrial economies: removal of most tariff barriers and membership in the WTO.
Source: EBRD.

all burden for importers higher than that from import tariffs. Among five countries compared in 2004, Russia and Kazakhstan represented the highest frequency of NTBs, Belarus — a medium one, and Kyrgyzstan and Ukraine — the lowest.

Table 5
Date of the acceptance of Article VIII of the IMF Articles of Agreement and presence of exchange restrictions/ multiple exchange rates at the end of 2020.

Country	Acceptance of Article VIII	Exchange restrictions/ multiple exchange rates at the end of 2020
Armenia	1997/05/29	No
Azerbaijan	2004/11/30	No
Belarus	2001/11/05	No
Georgia	1996/12/20	No
Kazakhstan	1996/07/16	No
Kyrgyzstan	1995/03/29	No
Moldova	1995/06/30	No
Russia	1996/06/01	No
Tajikistan	2004/12/09	Yes
Turkmenistan		Yes
Ukraine	1996/09/24	Yes
Uzbekistan	2003/10/15	No

Source: IMF (2022).

Table 6
MFN import tariff rates on non-agricultural and non-fuel products, annual, weighted average (%).

Country	1997	2002	2008	2012	2015	2020
Armenia		1.9[b)]	2.9	3.3	4.6	5.1
Azerbaijan		6.9	5.5	6.1	6.2	7.7
Belarus	11.0	10.2	8.6	7.1	5.2	5.1
Georgia		8.4	0.3	1.2	1.0	0.9
Kazakhstan			4.0	7.8	5.0	4.0
Kyrgyzstan		7.1	3.3	4.3	5.9	5.2
Moldova	2.3[a)]	2.9[b)]	3.3	3.3	4.2	3.9
Russia	11.5	10.0	9.0	6.7	4.6	4.5
Tajikistan			7.1[c)]	8.1	5.5	8.1
Ukraine	5.1	6.2	6.5	3.3	3.1	3.5
Uzbekistan		6.2[b)]	12.1	11.2	8.4	–

Note: [a)] 1996; [b)] 2001; [c)] 2006.
Source: UNCTAD.

Table 7
Effectively applied import tariff rates on non-agricultural and non-fuel products, annual, weighted average (%).

Country	1997	2002	2008	2012	2015	2020
Armenia		1.9[b)]	2.5	2.9	3.4	3.6
Azerbaijan		6.9	3.9	4.8	5.1	6.2
Belarus	11.0	10.2	4.3	3.6	2.5	2.2
Georgia		8.4	0.1	0.4	0.2	0.0
Kazakhstan			2.4	4.1	4.6	2.0
Kyrgyzstan		7.1	2.7	3.6	3.7	2.7
Moldova	2.3[a)]	2.9[b)]	2.6	2.7	3.4	1.1
Russia	11.5	10.0	8.4	5.6	2.9	4.0
Tajikistan			4.7[c)]	7.0	4.7	7.0
Ukraine	5.1	6.2	5.3	2.7	2.5	1.9
Uzbekistan		6.2[b)]	9.1	8.4	8.4	–

Note: [a)] 1996; [b)] 2001; [c)] 2006.
Source: UNCTAD.

3.3. Economic integration

On December 8, 1991, during the trilateral summit in the Belovezha Forest in Belarus, leaders of Belarus, Russia, and Ukraine decided to dissolve the USSR and replace it with the international organization called the Commonwealth of Independent States (CIS). On December 21st, 1991, during the Almaty summit, 11 other Soviet republics (except the Baltic States and Georgia) confirmed the decision to dissolve the USSR and join the CIS. The CIS was originally to serve as the area of free movement of goods, services, people, and capital, a forum of cooperation in various areas of domestic and foreign policy, and guarantee fulfilment of the external obligations of the former USSR.[8] The multilateral FTA and free-of-visa movement of people was the fundamental economic mechanism of this integration bloc.

However, in subsequent decades, the CIS gradually eroded due to geopolitical tensions in the region, various speeds and models of economic reform, and the joining of other integration projects. Turkmenistan never took active participation in the CIS. In 2005, it declared its interest in the status of the associated member. Georgia, who joined the CIS in December 1993, left this organization in August 2009 after the Russian military intervention a year earlier. Ukraine, which never ratified the CIS Charter (similar to Turkmenistan) but actively participated in CIS activities, left the CIS in 2018 as a reaction to Russia's annexation of Crimea and support for the separatist movement in Donbas. The visa-free multilateral framework was partly revoked due to various bilateral conflicts and partially replaced by bilateral visa-free agreements. The FTA was also undermined by unilateral trade sanctions (usually imposed by Russia on its CIS partners[9]) and partly superseded by deeper integration projects such as the Eurasian Economic Union (EAEU — see below).

Looking back, the CIS helped ensure a largely peaceful political dissolution of the USSR in the first half of the 1990s and limit the negative trade shock from establishing economic borders between FSU countries. The latter could not be avoided totally due to the dissolution of the Soviet ruble area, various speeds and models of economic reforms, the divergence of national legal frameworks, etc. It is also worth remembering that the division of labor and trade links within the USSR originated from the arbitrary decisions of central planning authorities instead of microeconomic choices based on a profit-maximizing goal function. Therefore, they had to be corrected, and they were indeed corrected when the market transition started.

Besides the CIS, Russia and a few other FSU countries (mainly Belarus and Kazakhstan) tried to form a deeper integration bloc. The first such attempt, the Eurasian Economic Community (EurAsEC), founded in 2000 by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan,[10] aimed to create a Customs Union and the Single Economic Space. However, the integration process went slowly and was finalized only at the beginning of 2015, with the creation of

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[8] See https://cis.minsk.by/page/174 (in Russian).

[9] Revoking the bilateral FTA with Ukraine by Russia on January 1, 2016, as Russia's reaction to entering into force the EU–Ukraine Association Agreement has been the most serious example of such sanctions.

[10] Uzbekistan belonged to EurAsEC between 2005 and 2008.

a new organization, the EAEU, formally replacing the EvrAsEC. There are five members of the EAEU: Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia.

The EAEU is a deeper integration bloc than the CIS and EvrAsEC, trying to follow the experience of the EU. However, it faces several problems of both economic and political nature.

First, its external tariffs and NTBs are higher than in the case of the EU. Therefore, its potential for trade diversion effect is more extensive. It is not helpful for emerging-market economies that need imported technology and intense external competition to speed up modernization processes. For Armenia, Kazakhstan, and Kyrgyzstan joining the EAEU required increasing their import tariffs, and for Armenia and Kyrgyzstan — renegotiating their earlier WTO commitments.

Second, the uneven pace of economic reforms does not help build the Single Economic Space. In particular, it concerns Belarus, the least advanced in building the market system. Nor has Belarus joined the WTO yet.

Third, the conflict in Ukraine in 2014–2015 and 2022–2023 undermined the EAEU in many ways. The Western sanctions against Russia and Russian countersanctions paralyzed a substantial part of the trade of the most prominent EAEU member. In 2022, the Western sanctions also hit Belarus. Other EAEU members have been unaffected by sanctions and have not joined Russia's countersanctions. They also did not join Russia's trade sanctions against Ukraine in 2016 (see above). All these "asymmetries" undermined a common trade policy, a basic foundation of a successful customs union.

Fourth, the increasing international isolation of Russia limits the chances of the EAEU to conclude PTAs with third countries.

Fifth, asymmetry in the economic and political potential of the EAEU does not help build partnership relations between them, especially in the context of assertive Russia's regional policies.

Besides participating in regional integration projects, eight FSU countries joined the WTO between 1998 and 2015 (Table 8). The remaining four countries (Azerbaijan, Belarus, Turkmenistan, and Uzbekistan) have observer status and conduct accession negotiations. However, only Uzbekistan is trying to advance these negotiations and adopt the legislative measures required to complete the accession process.

The Partnership and Cooperation Agreements (PCAs) or Interim Trade Agreements signed between the EU and FSU countries in the 1990s established

Table 8
Dates of WTO accession by former Soviet Union countries.

Country	Date of accession
Kyrgyzstan	1998/12/20
Georgia	2000/06/14
Moldova	2001/07/26
Armenia	2003/02/05
Ukraine	2008/05/16
Russia	2012/08/22
Tajikistan	2013/03/02
Kazakhstan	2015/11/30

Source: WTO (https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm).

the MFN principle in bilateral trade, even before their WTO accession. In 2014, Georgia, Moldova, and Ukraine signed the association agreements with the EU, which included provisions on the Deep and Comprehensive Free Trade Areas (DCFTAs) between the EU and respective countries. When fully implemented, the DCFTA will offer these three countries partial access to the EU Single Market.

In June 2022, the European Council (2022) granted Moldova and Ukraine the EU candidate status, leaving the door open to a similar decision concerning Georgia later, subject to meeting specific conditionality (Dabrowski, 2022c). It gives three countries a chance of full integration with the Single European Market.

4. Privatization

As mentioned in Section 2, the Soviet economic model was based almost exclusively on the state and collective[11] ownership of means of production, with a few exceptions, such as household plots in agriculture (formally, these plots remained a part of kolkhozes or sovkhozes but were only used privately). Hence, a post-communist transition had to include rebuilding private ownership and entrepreneurship. To achieve this goal, various avenues of ownership changes could have to be taken into consideration: the creation of new domestic private firms (see Subsection 3.1), green-field foreign direct investment (FDI), restitution of private property rights from the pre-communist era (re-privatization), privatization of housing, privatization of land, and privatization of existing state-owned enterprises (SOEs).

Restitution of pre-communist property rights for housing, agriculture, residential land, and small factories, practiced in most Central and Eastern Europe (CEE), including the Baltic States (Kozminski, 1997), was not a practical option for FSU countries, given the 70+ years of the communist regime, and devastating consequences of the civil war of 1918–1921, Stalinist collectivization and terror, World War II (the Great Patriotic War in the Soviet and Russian narrative), etc.

Privatization of land, especially in agriculture, and the participation of non-residents in this process have met many political obstacles. In several FSU countries, unrestricted privatization of agricultural land, including free trading, has not been allowed or permitted with considerable delay (Lerman, 2017). For example, the Ukrainian parliament (Verkhovna Rada) adopted the law, which partially lifted the moratorium on the sale of agricultural land, which had been in place since 2001, only in March 2020, under the pressure of the IMF. A new law entered into force in July 2021. Given the existing legal restriction on ownership and trading, long-term land leasing (*arenda*) is a widespread form of agricultural land use.

On the contrary, housing privatization was carried out relatively quickly at the beginning of the 1990s (Struyk and Daniell, 1995; Broulikova and Montag, 2020).

Privatization of existing SOEs could be conducted by adopting various methods: initial private offering (IPO), selling to strategic investors (domestic or foreign), joint ventures with foreign firms, employee and management buyout

[11] In practice, collective enterprises, for example, kolkhozes in agriculture and retail cooperatives did not differ much from state-owned enterprises in terms of property rights or management regime.

(often leveraged), voucher (coupon) privatization, and selling assets of those SOEs, which either went bankrupt or were closed down. The last method paved the ground for the so-called small-scale privatization.

Individual FSU countries adopted various privatization strategies. Concrete privatization methods were determined by a country's structural and institutional legacy, political economy considerations, and policymakers' preferences. Some privatization schemes were challenging to apply in the early stages of the transition for technical and institutional reasons. It concerned, for example, IPO due to the non-existence or institutional infancy of the stock market. The widespread reservations about foreign investors combined with their risk aversion limited possibilities of involving them in purchasing controlling packages of shares of privatized enterprises or forming joint ventures, at least initially. The delayed macroeconomic stabilization and resulting high inflation (Dabrowski, 2022a) made the correct valuation of privatized firms difficult.

In such an institutional and macroeconomic environment, in most FSU countries the priority was given to a combination of a voucher method and heavily leveraged employee/ management buyout. However, small-scale privatization also significantly impacted retail trade and services (Table 9). Overall, it progressed faster than large-scale privatization, that is, privatization of large and medium-sized enterprises (Table 10). In both cases, the speed of ownership changes was slower as compared to Estonia (see Tables 9 and 10). It was also slower than domestic and external liberalization (see Tables 3 and 4), a phenomenon observed in other transition economies. Privatization is a more complex and time-consuming process than liberalization.

Kyrgyzstan, Russia, Georgia, and Kazakhstan advanced small-scale privatization in the mid-1990s and became leaders in the FSU region. Ukraine, Armenia, Tajikistan, and Moldova joined the leading group later — in the early and mid-2000s. In Turkmenistan and Belarus, small-scale privatization did not take off until 2014, the last year of the EBRD ranking. All FSU countries lagged behind Estonia, chosen in this analysis as a benchmark case of rapid economic transition (see Section 1).

The region's lagging behind the leaders is even better seen in the case of large-scale privatization (see Table 10). Only Georgia advanced this process to the same degree as Estonia (a score of 4.0). However, it happened more than a decade later than in Estonia, in the second half of the 2000s. Kyrgyzstan and Armenia were close to Georgia's record (a score of 3.7). They were followed by Russia, Moldova, Kazakhstan, and Ukraine (a score of 3.0). Russia is an interesting case because it started its mass privatization program in 1992 and soon became a privatization leader in the FSU region in the second half of the 1990s and early 2000s (a score of 3.3). However, after the politically motivated crackdown on YUKOS, the largest Russian oil company, and its forceful takeover by the state-owned Rosneft in 2003–2005, Russia's score decreased to 3.0. On the other end of the ranking spectrum, one can find Turkmenistan (1.0), Belarus (1.7), and Azerbaijan (2.0).

Quantitative results of various avenues of ownership changes can be summarized by the private sector contribution to GDP in the 2000s, according to estimates provided by the EBRD (Table 11). They are broadly in line with the earlier analyzed processes of small- and large-scale privatization (see Tables 9–10). In 2010, the private sector share in GDP reached 75% in Armenia, Azerbaijan,

Table 9
EBRD’s indicator of small-scale privatization, 1992–2014 (on a scale of 1.0−4.3).

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	2.0	2.0	2.3	2.7	3.0	3.0	3.3	3.3	3.3	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Azerbaijan	1.0	1.0	1.0	1.0	2.0	3.0	3.3	3.3	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Belarus	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Georgia	1.0	2.0	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Kazakhstan	2.0	2.0	2.3	3.0	3.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Kyrgyzstan	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Moldova	1.0	1.0	2.0	3.0	3.0	3.0	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Russia	2.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Tajikistan	2.0	2.0	2.0	2.0	2.0	2.3	3.0	3.0	3.3	3.7	3.7	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Turkmenistan	1.0	1.0	1.0	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Ukraine	1.0	2.0	2.0	2.0	3.0	3.3	3.3	3.3	3.3	3.3	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Uzbekistan	1.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Estonia	2.0	3.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3

Note: 1—little progress, 2—substantial share privatized, 3—comprehensive program almost ready for implementation, 4—complete privatization of small companies with tradable ownership rights, 4.3 standards and performance typical of advanced industrial economies: no state ownership of small enterprises; effective tradability of land.
Source: EBRD.

Table 10
EBRD's indicator of large-scale privatization, 1992–2014 (on a scale of 1.0−4.3).

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	1.0	1.0	1.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.3	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Azerbaijan	1.0	1.0	1.0	1.0	1.0	2.0	2.0	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Belarus	1.0	1.7	1.7	1.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Georgia	1.0	1.0	1.0	2.0	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.7	3.7	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Kazakhstan	1.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Kyrgyzstan	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Moldova	1.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Russia	2.0	3.0	3.0	3.0	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Tajikistan	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Turkmenistan	1.0	1.0	1.0	1.0	1.0	2.0	1.7	1.7	1.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Ukraine	1.0	1.0	1.0	2.0	2.0	2.3	2.3	2.3	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Uzbekistan	1.0	1.0	2.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Estonia	1.0	2.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

Note: 1—little private ownership, 2—comprehensive scheme almost ready for implementation; some sales completed, 3—more than 25% of large-scale enterprise assets in private hands or in the process of being privatized (with the process has reached a stage at which the state has effectively ceded its ownership rights), but possibly with major unresolved issues regarding corporate governance, 4—more than 50% of state-owned enterprise and farm assets in private ownership and significant progress with corporate governance of these enterprises, 4.3—standards and performance typical of advanced industrial economies: more than 75% of enterprise assets in private ownership with effective corporate governance.
Source: EBRD.

Table 11
Private sector share in GDP, former Soviet Union countries, 2004–2010 (%).

Country	2004	2005	2006	2007	2008	2009	2010
Armenia	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Azerbaijan	60.0	60.0	60.0	75.0	75.0	75.0	75.0
Belarus	25.0	25.0	25.0	25.0	30.0	30.0	30.0
Georgia	65.0	65.0	70.0	75.0	75.0	75.0	75.0
Kazakhstan	65.0	65.0	65.0	70.0	70.0	70.0	65.0
Kyrgyzstan	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Moldova	55.0	60.0	65.0	65.0	65.0	65.0	65.0
Russia	70.0	65.0	65.0	65.0	65.0	65.0	65.0
Tajikistan	50.0	55.0	55.0	55.0	55.0	55.0	55.0
Turkmenistan	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Ukraine	65.0	65.0	65.0	65.0	65.0	60.0	60.0
Uzbekistan	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Estonia	80.0	80.0	80.0	80.0	80.0	80.0	80.0

Source: EBRD.

Georgia, and Kyrgyzstan, 65% in Kazakhstan, Moldova, and Russia, 60% in Ukraine, 55% in Tajikistan, 45% in Uzbekistan, 30% in Belarus, and 25% in Turkmenistan. The high share of the private sector in Azerbaijan, despite low scores on small- and large-scale privatization, can be attributed to green-field FDI in the oil and natural gas sector.

Interestingly, the EBRD estimates in three countries suggest reversing the earlier privatization progress. In Russia, this resulted from the crackdown mentioned above on YUKOS in 2003–2005 and the government's bailout of distressed financial and non-financial corporations during the global financial crisis (GFC). Similar bailouts were provided by the governments of Ukraine and Kazakhstan between 2008 and 2010.

After 2010 (the last year of the EBRD estimates), the renationalization process in Russia continued. At the end of the 2010s, the private sector contribution to GDP shrank to approximately 50% (Abramov and Radygin, 2023). On the other hand, the share of the private sector in GDP increased, most likely, in Belarus and Uzbekistan, due to ownership changes conducted in the second half of the 2010s.

A qualitative assessment of privatization results is even more complicated than the quantitative one. Table 12 shows limited progress in corporate governance and enterprise restructuring. The best scores (2.3) recorded in 2014 by Armenia, Georgia, Russia, and Ukraine meant moderately hard budget constraints, weak enforcement of bankruptcy legislation, and few changes in corporate governance. Other FSU countries accomplished even less impressive results.

Disappointing governance and restructuring scores reflect not only weaknesses of the privatization process in FSU countries, such as the long period of diluted ownership due to adopting a voucher method and preferences for employees and managers, and limited participation of foreign investors. It is also a result of delayed macroeconomic stabilization (Dabrowski, 2022a), delayed and incomplete liberalization (see Section 3), lack of the upfront de-concentration and de-monopolization of large sectoral and branch trusts and companies, deficit of the rule of law (see Section 5), etc.

Nevertheless, most empirical research demonstrates that even imperfect privatization was better than no privatization (see Megginson and Netter, 2001).

Table 12
EBRD's indicator of governance and enterprise restructuring, 1992–2014 (on a scale of 1.0−4.3).

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Azerbaijan	1.0	1.0	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Belarus	1.0	1.0	1.0	1.7	1.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Georgia	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Kazakhstan	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Kyrgyzstan	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Moldova	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Russia	1.0	1.0	1.7	2.0	2.0	2.0	2.0	1.7	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Tajikistan	1.0	1.0	1.0	1.0	1.0	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Turkmenistan	1.0	1.0	1.0	1.0	1.0	1.7	1.7	1.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Ukraine	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3
Uzbekistan	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Estonia	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.3	3.3	3.3	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7

Note: 1—soft budget constraints, few other reforms to promote corporate governance; 2—moderately tight credit and subsidy policy, but weak enforcement of bankruptcy legislation and little action taken to strengthen competition and corporate governance; 3—significant and sustained steps to harden budget constraints and to promote corporate governance effectively; 4—substantial improvement in corporate governance and significant new investment at the enterprise level, including minority holdings by financial investors, 4.3—standards and performance typical of advanced industrial economies: effective corporate control exercised through domestic financial institutions and markets, fostering market-driven restructuring.
Source: EBRD.

5. Institutions and governance

Measuring institutional progress is even more difficult than progress in liberalization and privatization. Practically all available indices are based on the opinions and judgments of experts and practitioners. That is, they have a subjective character, by definition.

Our analysis concentrates on the World Bank's Worldwide Governance Indicators (WBWGI), which systematically evaluate countries' governance quality since 2006, according to a harmonized methodology, comparative cross-country and over time.[12]

The WBWGI is a composite index that summarizes various dimensions of a governance system. It presents scores in six categories: Control of Corruption, Government Effectiveness, Political Stability and Absence of Violence/Terrorism, Regulatory Quality, Rule of Law, Voice and Accountability, on a scale from +2.5 (good governance) to –2.5 (poor governance) in each category. It is based on a broad definition of governance as "the traditions and institutions by which authority in a country is exercised." More specifically, the concept of governance includes the process by which "governments are selected, monitored and replaced; the governments' capacity to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them" (Kaufmann et al., 2009).

We analyze the evolution in scores in four categories — Regulatory Quality, Rule of Law, Voice and Accountability, and Control of Corruption — between 1996 and 2021.

On average, the governance scores of FSU countries look relatively poor. They are mainly in the "negative" territory, below 0. Compared with Estonia (which is not included in Figs. 1–3 for their transparency), they are worse by at least 1 point (in the case of FSU leaders in their best years), but in other instances — more.

Georgia is an undisputable leader in the category of Regulatory Quality (Fig. 1). It has demonstrated systematic improvement in its scores since 2005, which can be attributed to the consequences of the so-called Rose Revolution. Armenia, Kazakhstan, and Moldova go next; these are the only FSU countries with scores above 0. Kazakhstan and Moldova have shown some improvement since the mid-2000s. The performance of Armenia has stagnated or even deteriorated (since 2018).

Among laggards, Uzbekistan has demonstrated a visible improvement since 2016. On the other hand, Kyrgyzstan records considerable fluctuations, with a substantial drop in its scores in the second half of the 2000s and their gradual rebuilding through the next decade. Russia and Turkmenistan have continuously deteriorated their scores. Turkmenistan is the worst performer in the analyzed group.

The rule-of-law scores (Fig. 2) provide a similar picture, although only Georgia has been in the "positive" territory (scores above 0) since 2014. However, its scores have deteriorated since 2018, after several years of rapid improvement. As in the case of Regulatory Quality, Armenia, Moldova, and Kazakhstan go next. The worst performers are Turkmenistan, Tajikistan, Belarus, and Kyrgyzstan (below –1.0). Uzbekistan, which belonged to this group for quite a long time, has systematically improved its scores since 2012.

[12] Some other popular surveys suffer from frequent methodological changes which complicate a dynamic analysis for a longer period of time.

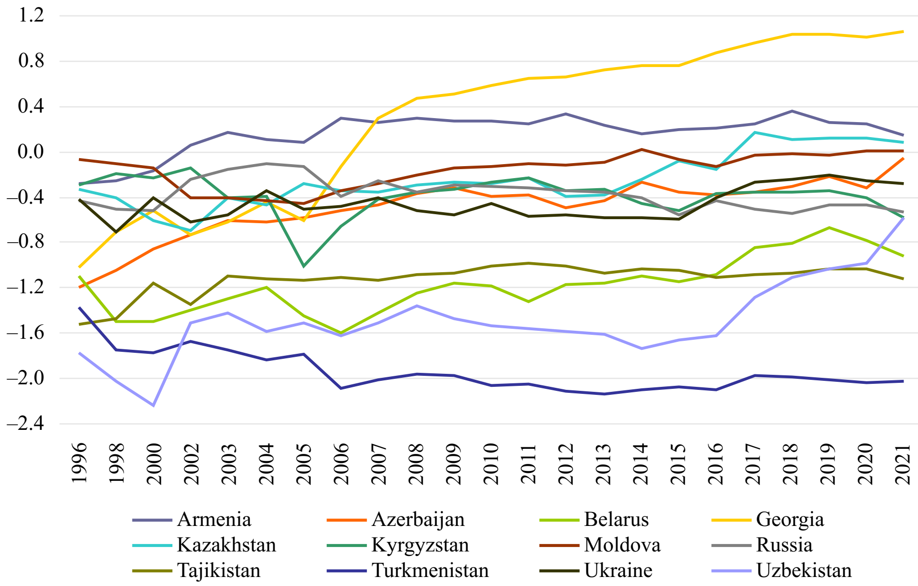

Fig. 1. Worldwide governance indicators: Regulatory Quality, 1996–2021.

Source: World Bank's Worldwide Governance Indicators database.

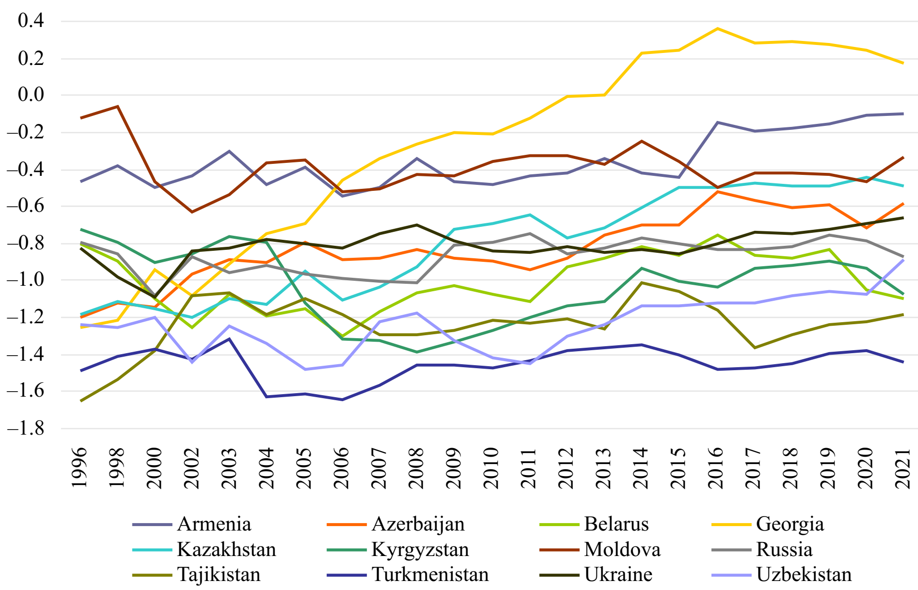

Fig. 2. Worldwide governance indicators: Rule of Law, 1996–2021.

Source: World Bank's Worldwide Governance Indicators database.

In the "Voice and Accountability" category (the proxy of democratization and political freedom—see Fig. 3), four countries (Georgia, Armenia, Moldova, and Ukraine) oscillate around the score of 0, with quite a lot of fluctuation over time. They are followed by Kyrgyzstan, whose moderately good scores have deteriorated since 2019. The performance of Russia, Kazakhstan, Azerbaijan, Tajikistan, and Turkmenistan has continuously declined since the survey's beginning (1996).

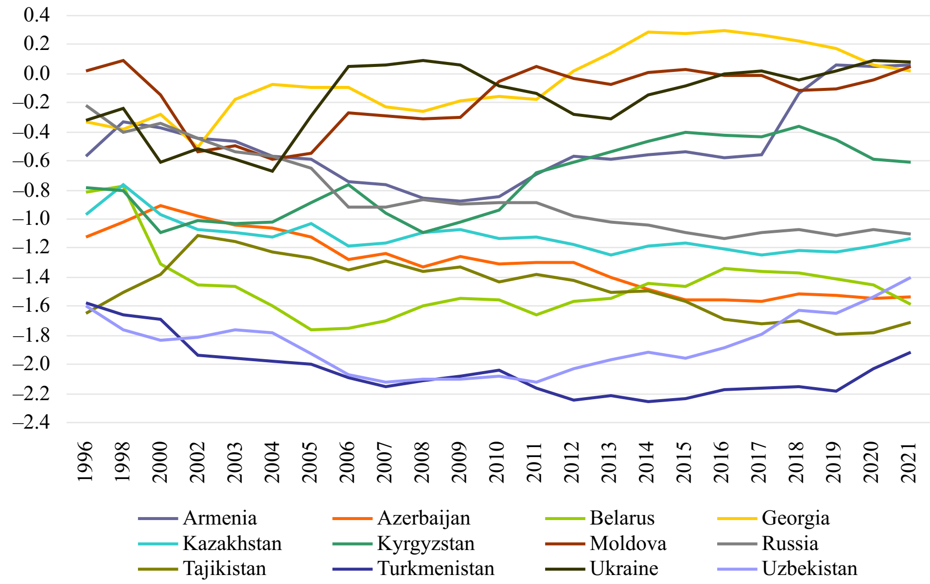

Fig. 3. Worldwide governance indicators: Voice and Accountability, 1996–2021.

Source: World Bank's Worldwide Governance Indicators database.

Among laggards, only Uzbekistan has recorded some improvement since 2012. Belarus scores show a lot of fluctuations in the analyzed period, but it has always remained at the bottom of this ranking.

The picture presented in Fig. 3 remains in line with the results of the Freedom House's Freedom in the World and other surveys of democratization and political freedom (see Section 1).

Georgia is the only country with a positive score (above 0) in the "Control of Corruption" category, clearly outperforming other FSU countries (Fig. 4). Armenia, Belarus, Kazakhstan, and Moldova go next, presenting some improvement in the 2010s. The scores of the remaining seven countries amount to between –0.8 and –1.4. Ukraine and Uzbekistan have shown a moderately positive trend in the second half of the 2010s. Turkmenistan and Tajikistan are at the very bottom of the analyzed ranking.

The analysis of the WBWGI provides a picture of an oversized and overcentralized government in most FSU countries, except perhaps Georgia. Such a government interferes with the business activity and private life of citizens. However, it cannot provide essential public goods such as public security, property rights, civil rights protections, and sufficient technical and social infrastructure.

Despite far-going reform and legislative efforts undertaken in the 1990s and 2000s, often with the assistance of international financial and development institutions such as the IMF, World Bank, EBRD, and Asian Development Bank (ADB), other bilateral and multilateral donors and NGOs, the Soviet institutional legacy seems to remain strong.

Overregulation, the oppressive criminal codes, and the ambiguous content of many pieces of legislation allow the public administration and law enforcement agencies to interpret and enforce them arbitrarily. They lead to frequent power abuse for personal benefit, administrative harassment, and extorting of money

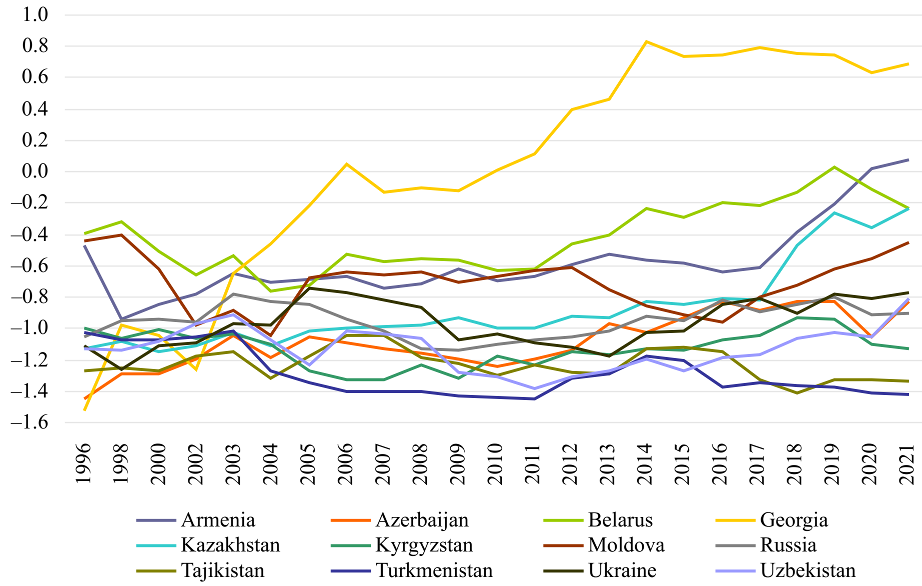

Fig. 4. Worldwide governance indicators: Control of Corruption, 1996–2021.

Source: World Bank's Worldwide Governance Indicators database.

and assets from private businesses. The business community often calls it "state racketeering."

As a result, the business and investment climate in most FSU countries is not considered favorable by the business community. It is reflected, among others, by the Heritage Foundation's Index of Economic Freedom (HFIEF). It is a composite index, an average of 12 detail indices, grouped into four categories: the Rule of Law (property rights, judicial effectiveness, and government integrity), Government Size (tax burden, government spending, and fiscal health), Regulatory Efficiency (business freedom, labor freedom, and monetary freedom), and Open Markets (trade freedom, investment freedom, and financial freedom). The composite index is estimated on a scale from 0 to 100. Countries with scores above 80 are ranked as "free," between 70 and 80—"mostly free," between 60 and 70—"moderately free," between 50 and 60—"mostly unfree," and below 50—"repressed."

Fig. 5 shows that although FSU countries improved their rating on average between 1998 and 2020, most remained either in the "mostly unfree" or "repressed" group. Only Georgia has belonged to the "mostly free" group since 2009, while Armenia, Kazakhstan, and Azerbaijan occasionally found themselves in this group. However, all four systematically underperform compared to Estonia, a comparator country in our analysis. Armenia and Kazakhstan were rated as "moderately free" during most of the analyzed period, together with Kyrgyzstan and, incidentally, Moldova, Russia, and Belarus. The bad news is that all FSU countries deteriorated their scores in 2021, most probably due to restrictions related to the COVID-19 pandemic.

The conflict in Ukraine in 2022–2023 caused a further dramatic deterioration of the business and investment climate in the entire FSU region, which has not been admitted in the HFIEF and other international surveys analyzed in this paper. Such decline is evident in the case of Ukraine, the victim of this conflict,

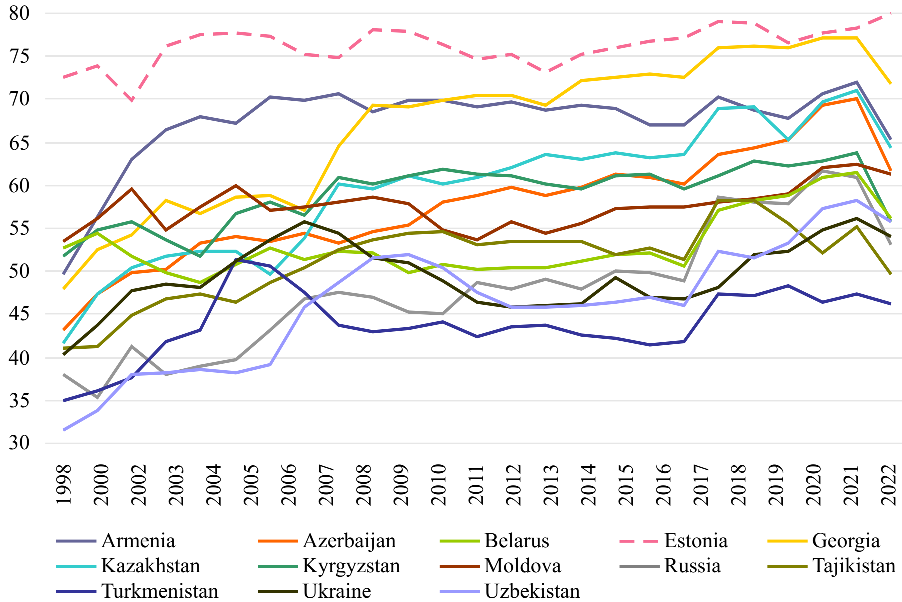

Fig. 5. Heritage Foundation's Index of Economic Freedom, 1998–2022 (on a scale of 0–100).

Note: Years of survey in the X axis; the HFIEF scores in a given survey year characterize the situation on the ground a year earlier.
Source: Heritage Foundation.

and Russia and Belarus (who have become the subject of international sanctions). However, other FSU countries have also been perceived as belonging to the zone of increased insecurity and geopolitical risk.

Table 13 presents the disaggregation of the HFIEF 2021, which assesses the degree of economic freedom in 2020, the best survey results for most FSU countries. Even in the case of best performers such as Georgia, Armenia, Azerbaijan, and Kazakhstan, the scores for Government Integrity, Judicial Effectiveness, and Property Rights are below the overall score (in Kazakhstan, also the Investment Freedom), sometimes significantly. In other FSU countries, the situation looks much worse.

Unsatisfactory governance, economic freedom scores, and their deterioration in many cases can be explained by an authoritarian drift in the political systems that started in the 1990s. This drift is illustrated by the Freedom House's Nations in Transit (FHNIT) scores (Fig. 6). The FHNIT is another composite index that summarizes scores in seven categories: National Democratic Governance, Electoral Process, Civil Society, Independent Media, Local Democratic Governance, Judicial Framework and Independence, and Corruption, on a scale from 0 to 100, defined as the Democracy Percentage.

Looking at the factors that facilitate an authoritarian drift in the FSU region, one should point to the dominance of the executive branch of government over the legislative and judicial ones and the extensive prerogatives of the heads of state. Autocratic leaders were usually elected in a more or less democratic way the first time. However, then they gradually dismantled constitutional checks and balances such as the independent judiciary, regional autonomy (the case

Table 13
Disaggregation of the Heritage Foundation's Index of Economic Freedom 2021 (on a scale of 0–100).

Country	Global rank	Overall score	Property Rights	Govern-ment Integrity	Judicial Effective-ness	Tax Burden	Govern-ment Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Invest-ment Freedom	Financial Freedom
Armenia	32	71.9	57.3	45.0	55.3	87.1	81.3	84.3	81.9	74.5	76.9	73.8	75.0	70.0
Azerbaijan	38	70.1	67.9	46.8	55.8	88.1	65.2	99.4	80.5	65.9	73.2	68.0	70.0	60.0
Belarus	95	61.0	58.6	39.8	40.4	92.9	55.5	96.5	75.9	75.7	70.2	76.0	30.0	20.0
Georgia	12	77.2	66.9	64.6	59.3	89.1	76.9	94.9	84.9	76.7	76.7	86.0	80.0	70.0
Kazakhstan	34	71.1	60.2	44.6	62.8	93.6	86.7	98.3	76.2	86.2	70.0	74.6	50.0	50.0
Kyrgyzstan	78	63.7	46.0	33.7	23.3	94.8	63.8	90.6	72.6	79.5	77.5	72.8	60.0	50.0
Moldova	85	62.5	60.6	38.7	29.9	94.0	71.0	96.5	66.2	39.2	71.5	76.8	55.0	50.0
Russia	92	61.5	54.4	41.7	42.4	93.0	66.1	99.6	84.1	55.4	67.3	74.0	30.0	30.0
Tajikistan	134	55.2	41.6	35.2	48.8	91.9	68.6	75.1	62.3	46.2	68.5	69.6	25.0	30.0
Turkmenistan	167	47.4	27.7	22.0	20.0	92.6	93.2	96.3	30.0	20.0	72.8	74.2	10.0	10.0
Ukraine	127	56.2	48.5	37.9	41.1	88.7	48.2	87.7	63.5	48.7	65.8	79.2	35.0	30.0
Uzbekistan	108	58.3	57.8	30.5	50.8	92.4	79.9	98.3	73.5	61.2	60.3	55.4	20.0	20.0
Estonia	8	78.2	81.8	86.4	80.8	81.0	54.4	99.6	72.7	57.8	79.7	84.0	90.0	70.0

Note: The HFIEF 2021 presents an assessment for 2020.
Source: Heritage Foundation.

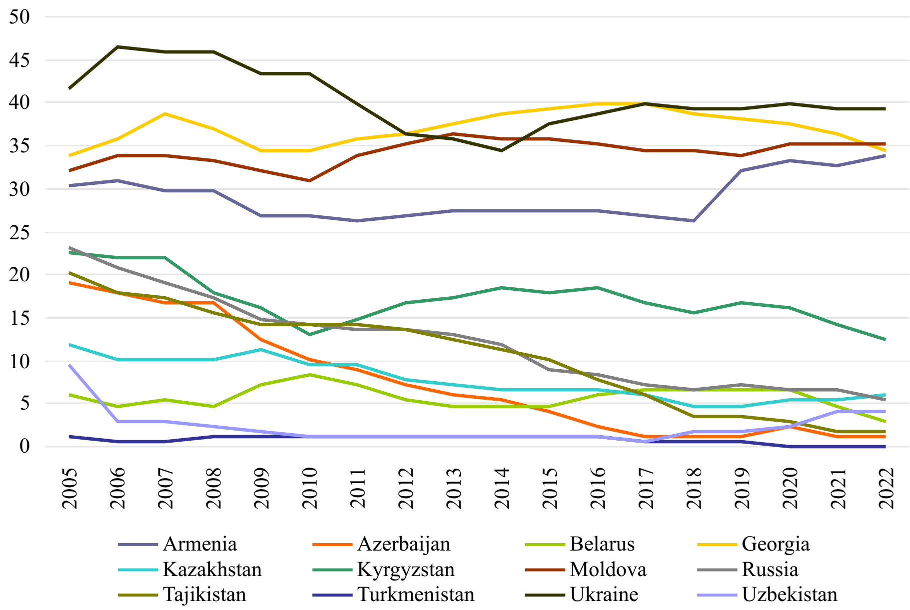

Fig. 6. Freedom House's Nations in Transit scores (Democracy Percentage), 2005–2022 (on a scale of 0–100).

Note: Years of survey in the X axis; the FHNIT scores in a given survey year characterize the situation on the ground a year earlier.
Source: Freedom House.

of Russia), and independent media and civil society organizations (CSOs) (Dabrowski, 2021). Not surprisingly, four FSU countries that were rated in the Freedom House's Freedom in the World 2021 (Repucci and Slipowitz, 2022) as "partly free" (Armenia, Georgia, Moldova, and Ukraine) departed from the presidential form of government in favor of either the parliamentary-cabinet regime or the mixed one.

Limiting the independence of the legislative and judicial branches of government and media and CSOs reduced their monitoring capacities over the executive branch. It resulted in the lack of transparency and accountability of the latter. It created a fertile ground for groups of special interests, rent-seeking, state and business capture by oligarchic groups, and various forms of corruption.

Several comparative cross-country analyses confirm a positive correlation between changes in political and economic systems (Dabrowski, 2021; Bertelsmann Stiftung, 2022). It should not be surprising if one analyzes the impact of democratic mechanisms and institutions on the functioning of a market economy (de Haan and Sturm, 2003). Apart from the role of political checks and balances in limiting the concentration and abuse of political power and the monitoring role of the media and CSOs, the democratic rotation of political elites and their accountability to the electorate may also reduce the incidence of power abuses, corruption, and state capture. Furthermore, civil liberties support and supplement economic freedom. It is hard to imagine the effective functioning and development of a contemporary post-industrial (service-based) economy without the freedom of movement, expression, speech, and assembly and the right to private property, privacy, and equal treatment under the law, among others, and their adequate judicial protection. Autocratic regimes are less open to the external world (Gable, 2005), hurting economic and social development.

The conflict in Ukraine in 2022–2023 caused a further tightening of an autocratic regime in Russia by closing down the remaining independent media, further reduction in freedom of speech, introducing draconian criminal penalties for opposition activities and opinions, reducing other civil liberties, etc. The Martial Law does not help develop democratic institutions in Ukraine either.

6. Results of systemic transformation: growth record

Changes in real GDP per capita may serve as the proxy measure of economic progress accomplished by FSU countries after the dissolution of the USSR and as a summary result of conducted reforms. GDP is not an ideal indicator, the subject of many conceptual and methodological disputes (Fleurbaey, 2009), but we do not have anything better to assess socioeconomic development synthetically.

Fig. 7 shows cumulative real GDP per capita changes measured in 2017 international dollars in purchasing power parity (PPP) from 1992 to 2021. It is the most extended available data series for all FSU countries. It also accounts for uneven population changes across FSU countries: population growth in post-Soviet Central Asia and Azerbaijan vs population decline elsewhere.

Unfortunately, there is no data for all former Soviet republics for 1991 and earlier years, so 1992 must serve as the base year for our comparative analysis. We cannot include 1989–1991, when the Soviet economy already contracted (see Section 2), and the first year of independence (1992) into our cumulative GDP per capita changes estimate. We also leave the controversial question of methodological accuracy of GDP statistics in the former USSR (reconstructed ex-post from the net material product statistics) and in the first years of transition (see Åslund, 2001) out of this paper.

The cumulative growth figures hide a volatile growth dynamic over time. The last years of the Soviet Union and the first years of independence were

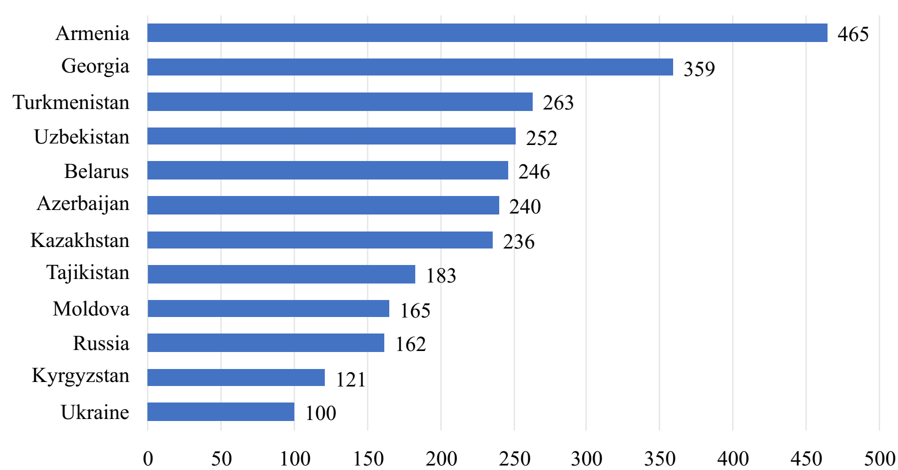

Fig. 7. Cumulative GDP per capita growth, former Soviet Union countries, 1992–2021, constant prices, PPP, 2017 international dollars (%, 1992 = 100%).

Source: IMF World Economic Outlook database, October 2022; author's calculations.

dramatic in this respect. Output decline started in 1989 (see Table 1) and ended only in the late 1990s. Some countries that arrested the economic downturn in the mid-1990s (Kazakhstan, Moldova, and Russia) experienced a new round of recession after the 1998 financial crisis (Dabrowski, 2022a). Overall, the economic decline lasted from four years in Armenia to ten years in Ukraine, and its cumulative depth varied from –18% in Uzbekistan to –78% in Georgia (Table 14).

On average, the FSU economic decline was longer and more profound than in Central Europe and the Baltic States (see Table 14). The difference resulted from more difficult starting conditions, i.e., the higher level of inherited structural and institutional distortions and macroeconomic imbalances (Dabrowski, 2022a), the disintegration of the Soviet economic space (Suesse, 2018), and slow and inconsistent reforms in most of the FSU region (De Melo et al., 2001; World Bank, 2002; Havrylyshyn, 2020). The armed conflicts in Moldova, Georgia, Tajikistan, and between Armenia and Azerbaijan also played a negative role.

The period between the Russian and FSU financial crisis of 1998–1999 and the GFC of 2008–2009 was marked by high growth rates. They could be seen as the delayed positive effect of economic reforms conducted in the 1990s (reallocating resources towards their more productive use). The FSU region also benefited from the global economic boom and high commodity prices in the early and mid-2000s.

The GFC resulted in a deep but short (one-year) recession in the part of the region. Ukraine recorded the largest annual GDP decline in 2009 (–15.1%), followed by Armenia (–14.2%), Russia (–7.8%), Moldova (–6.0%), and Georgia (–3.7%). Other FSU economies continued positive growth, although slower than before the crisis.

After the GFC (the 2010s and early 2020s), growth was slower and more volatile than in the early and mid-2000s. It was interrupted by new crisis episodes such

Table 14
Cumulative output decline during the transition period, 1990–2000.

Region/country	Consecutive years of output decline	Cumulative output decline, %
CIS (without the Baltics)	*6.5*	*50.5*
Armenia	4	63
Azerbaijan	6	60
Belarus	6	35
Georgia	5	78
Kazakhstan	6	41
Kyrgyzstan	6	50
Moldova	7	63
Russia	7	40
Tajikistan	7	50
Turkmenistan	8	48
Ukraine	10	59
Uzbekistan	6	18
Central and Southeastern Europe and the Baltics	*3.8*	*22.6*
Estonia	5	35
Latvia	6	51
Lithuania	5	44

Note: Regional data represent simple arithmetic averages.
Source: World Bank (2002, p. 5).

as the rapid decline in commodity prices and negative consequences of the annexation of Crimea and the conflict in Donbas in 2014–2015 (see Subsection 3.3), the COVID-19 pandemic in 2020–2021, and the war in Ukraine in 2022–2023 (Dabrowski, 2022a).

Another message coming from the analysis of Fig. 7 relates to the diversification of cumulative growth per capita in the region. Two small economies we refer to as the region's reform leaders—Armenia and Georgia—record the highest growth figures. Interestingly, they are resource-poor countries. They are followed by three reform laggards (Turkmenistan, Uzbekistan, and Belarus), Azerbaijan and Kazakhstan. All but Belarus are resource-rich economies. However, Belarus enjoyed an opportunity to import Russian oil and natural gas at discount prices and export processed oil products and fertilizers at world prices, that is, benefited from the part of Russian hydrocarbon rent for a long time. Furthermore, the quality and international comparability of statistics in three reform laggards who continued elements of the centralized command system for several years raised certain doubts.[13]

Russia, the largest hydrocarbon producer in the region and one of the world's largest producers, records the third-lowest cumulative growth figure. It can be attributed to the long and deep output decline in the 1990s and then several macroeconomic turbulence episodes caused by both global (GFC in 2008–2009, commodity price decline in 2014–2015, COVID-19 pandemic in 2020) and regional shocks such as the annexation of Crimea in 2014, the conflict in Donbas in 2014–2015, the war in Ukraine in 2022–2023 and associated sanctions and countersanctions. The analysis of long-term growth factors demonstrates that the shrinking working-age population and declining total factor productivity can explain the meagre growth record in the 2010s (Dabrowski, 2019; Voskoboynikov, 2023).

Kyrgyzstan and Ukraine present even worse growth in per capita figures. In the former, part of the explanation can be attributed to frequent episodes of domestic political instability (2005, 2010, 2020). However, the case of Ukraine looks dramatic, with virtually no economic progress recorded over 30 years of its independence. Interpretation of this unsatisfactory result is, to some extent, similar to Russia's one. In the 1990s, Ukraine recorded the longest and one of the most profound output declines in the FSU region (see Table 14), partly underpinned by delayed and inconsequent economic reforms (Dabrowski, 2017). Later, it was heavily hit by each external shock mentioned above and the consequences of the 2014–2015 conflict with Russia. The war in 2022–2023 will have further dramatic implications for the Ukrainian economy and society that cannot be fully assessed at the time of writing this paper (February–March 2023).

7. Summary and conclusions

Our analysis demonstrates that the post-communist transition in the FSU cannot be considered entirely successful, especially in the political and institutional

[13] Chubrik (2005) suggests that continuation of the command system in Belarus, Turkmenistan and Uzbekistan might lead to overreporting of output. There were also cases of underestimating GDP deflator (in Belarus). On the other hand, Zettelmeyer (1999) in an econometric analysis of growth factors in Uzbekistan points to country-specific factors such as the low level of industrialization at the beginning of the transition (which explains relatively modest initial output decline), favorable export conditions for cotton, and energy self-sufficiency.

spheres. Nevertheless, in the economic sphere, the transition process succeeded in rebuilding the foundations of a market economy based on private ownership by the early 2000s, even if the adopted policies and institutions proved suboptimal and distortive in many countries.

Of course, the FSU region has not been monolithic, and the transition results differed among countries. As mentioned earlier, three Baltic States (Estonia, Latvia, and Lithuania) were the most successful in building mature market-oriented economic systems and liberal democracies. They became EU and NATO members in 2004.

Two Southern Caucasus countries, Georgia and Armenia, made substantial but less impressive (compared to Baltic States) progress in economic and institutional areas, sustaining a certain degree of political freedom and democracy. However, they continue to suffer from unresolved territorial conflicts.

Political regimes of Ukraine and Moldova also belong to the "partly free" group, according to the FHFIW ranking, but their accomplishments in economic and institutional spheres are more questionable. Furthermore, Moldova (since 1992) and Ukraine (since 2014) have not controlled parts of their territories.

Among the remaining eight FSU countries, Russia, Kazakhstan, and Kyrgyzstan made substantial progress in economic and institutional reforms in the 1990s and early 2000s. However, later the progress was either stopped or even partly reversed. Russia (until 2003) and Kyrgyzstan (1992–1999, 2006–2008, and 2010–2019) were politically rated by the Freedom House as "partly free." Kazakhstan belonged to the "non-free" category throughout the entire analyzed period.

Azerbaijan and Tajikistan can be considered intermediate cases with delayed and incomplete economic reforms but poor institutional and political scores (between 1997 and 2002, Azerbaijan enjoyed a "partly free" status in the FHFIW ranking). The difference is that while some of the Azerbaijani liberalization and economic governance scores improved over time, Tajikistani ones were systematically downgraded.

Finally, Turkmenistan, Belarus, and Uzbekistan can be considered reform laggards. However, Uzbekistan has improved several of its scores since 2012 and has a good chance for a partial catch-up with more advanced reformers if the reform trend is sustained. Belarus has demonstrated a more volatile record with partial political freedom (according to FHFIW criteria) until 1995 and attempts at partial economic reforms in the 2010s. However, the rigged presidential election in August 2020 triggered a new wave of political repressions and stopped economic reforms.

Overall, the transition experience in the FSU region has demonstrated a strong interrelation between political and economic reforms, with a strong impact of the former on the latter (Dabrowski, 2022b). The deficit of democracy, civil freedoms, and the rule of law negatively impacted the course of the economic transition, causing its significant delay, distortions, and partial reversals. Kazakhstan, Azerbaijan, and Russia (until 2014) have been partial exceptions from this rule, with some market-oriented reforms and prudent macroeconomic policies continued under an autocratic regime. However, they have also demonstrated the limits of market-friendly autocracies.

Natural resources, particularly oil and natural gas, are not always an economic and political blessing in the FSU region. On the one hand, they allowed economic upgrades and partial modernization of resource-rich countries. On the other hand, they helped consolidate autocratic regimes, fueled corruption, and sometimes financed aggressive policies against neighbors. The volatility of global commodity prices was one factor that magnified the amplitude of external economic shocks (Dabrowski, 2022a). The forthcoming green transition in the world economy must be seen as a significant challenge to those FSU countries' economic prospects, which rely heavily on the production and exports of hydrocarbon resources.

Assessing results of economic, institutional, and political transition in the FSU region and trying to compare them with those of CEE and the Baltic States, one cannot forget about the role of the so-called external anchors in the reform process (Dabrowski and Radziwill, 2007), especially the perspective of the European integration (Roland, 2002, 2005). While Central European and the Baltic countries were granted the EU membership perspective in the early and mid-1990s and the Western Balkan region in 2003, FSU countries were not considered a potential part of the EU for a long time. The EU formulated the political association and DCFTA offer for the European part of the FSU only in 2008–2009. The association agreements between the EU and Georgia, Moldova, and Ukraine were signed in 2014. Only in June 2022, Ukraine and Moldova obtained EU candidate status. The future will show whether the prospect of EU membership will help these two countries and Georgia (a potential EU candidate) accelerate and complete economic, institutional, and political reforms.

Instead of the EU membership perspective, FSU countries were exposed to changes in Russia's political and economic situation. Due to its territorial and population size, natural resources, economic and military potential, geopolitical role and ambitions, and historical and cultural ties, Russia dominates the FSU region. In 1990–1991, the Russian democratic movement and the first President of the Russian Federation, Boris Yeltsin, were instrumental (perhaps not intentionally) in the dissolution of the USSR and granting independence to all former Soviet republics. Political, institutional and economic reforms in Russia (the latter designed and implemented by the team of young reformers led by Yegor Gaidar), even if slow and incomplete (as compared with CEE and the Baltic States), were copied by other FSU countries. In many instances, replication came with a time lag and was only partially due to the attachment of the local elites to the Soviet political, institutional, and economic model. On average, Russia's influence played a positive role in fostering reforms in the FSU region.

The situation started to change in the early and mid-2000s with the rebuilding of an autocratic system of political power in Russia, slowing down economic reforms or even their partial reversal since 2003, and more assertive foreign policy, which included, among others, weaponization of trade relations with Russia's neighbors. The Russian "experience" was a helpful argument for anti-reform forces in individual FSU countries, particularly for their autocratic leaders. Furthermore, since the military intervention in Georgia in August 2008, Russia started to be seen in other FSU countries as challenging their political and economic independence. This perception was strengthened after the annexation of Crimea in March 2014 and Russia's support of the separatist rebellion in Donbas in 2014–2015. The military conflict in Ukraine in 2022–2023 further destabilized the entire region politically and economically.

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