



CEE AFTER 30 YEARS

SUCCESS AND CHALLENGES AHEAD

MAREK BELKA
17.06.2022
VIENNA

OUTLINE

I. WHAT WENT RIGHT?

II. WHAT MATTERED?

III. WHAT DID NOT MATTER?

IV. WHERE DID WE ARRIVE?

V. CHALLENGES AHEAD

WHAT WENT RIGHT?

BUILDING-UP FOUNDATIONS OF MARKET ECONOMY

MACROECONOMIC FRAMEWORK

PRICE LIBERALIZATION AND HARD BUDGET CONSTRAINTS BROUGHT ABOUT PROPER MECHANISM OF RESOURCE ALLOCATION

OPENING THE ECONOMY BROUGHT COMPETITION AND PRESSURE TO COST AND QUALITY EFFICIENCY

PROCESS OF ESTABLISHING MARKET INSTITUTIONS WAS INITIATED AND FAIRLY CONSISTENTLY IMPLEMENTED

TAX SYSTEMS BROADLY ALONG THE EU STANDARDS

BANKING AND CAPITAL MARKET

COMPETITION AND ANTI-MONOPOLY LAW

PRIVATIZATION (GRADUAL VS MASS PRIVATIZATION
- DIFFERENT CONSEQUENCES IN DIFFERENT COUNTRIES)

WHAT MATTERED?

CONSISTENT REFORM PROCES

QUALITY OF HUMAN CAPITAL (RELATIVELY WELL-EDUCATED AND MOTIVATED PEOPLE)

GEOGRAPHICAL (AND CULTURAL) PROXIMITY TO EUROPE

PROSPECT OF EU MEMBERSHIP (COMPARE PL/HU WITH FORMER YU OR RUSSIA/UKRAINE)

POLITICAL STABILITY VS WAR

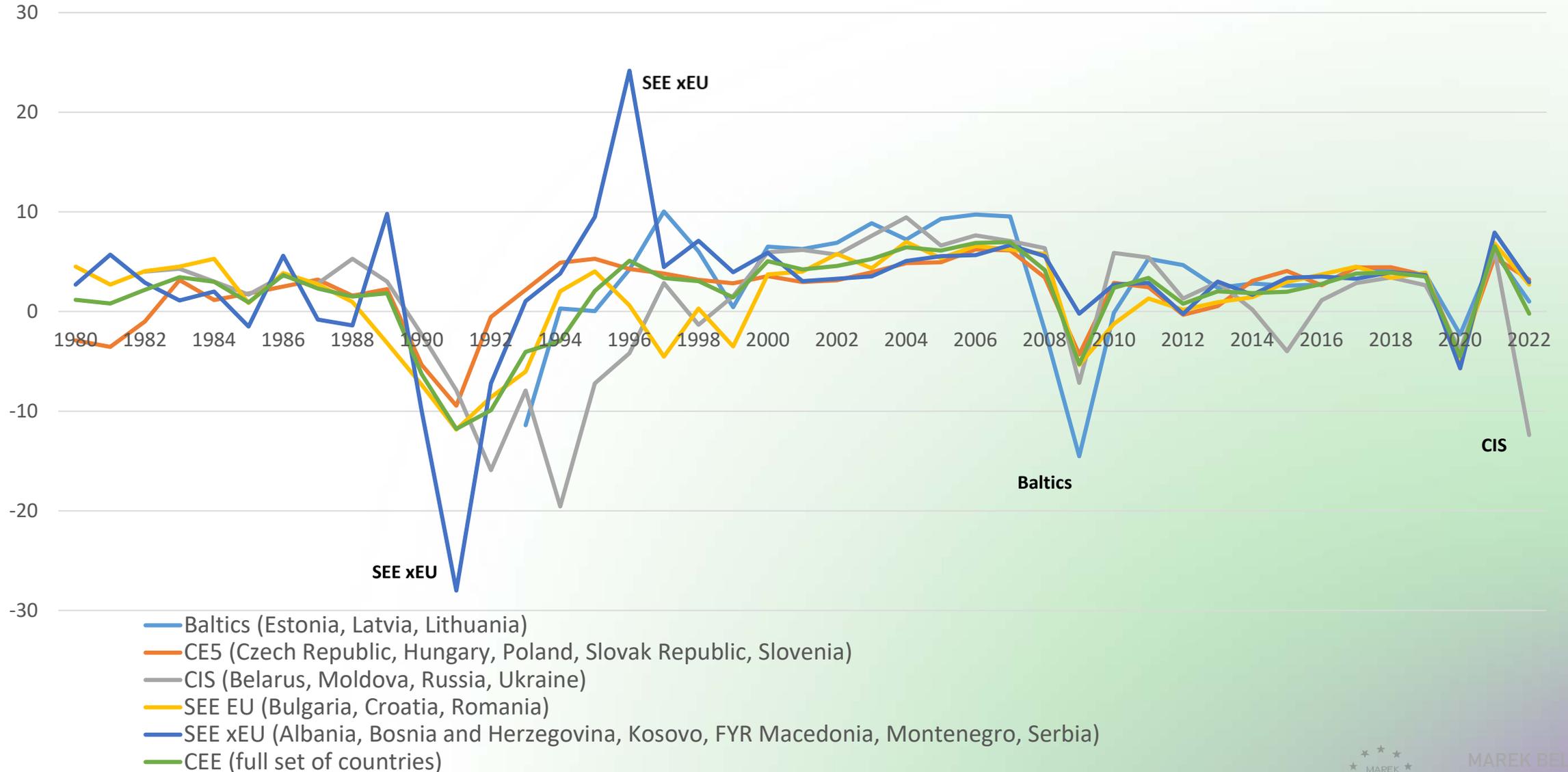
QUALITY OF DEMOCRATIC INSTITUTIONS (STRENGTH OF THE STATE)
- COMPARE THE BALTICS WITH BULGARIA

WHAT DID NOT MATTER?

STARTING POINT (GDP LEVEL, INTERNAL ECONOMIC STRUCTURE)
- COMPARE CZECHIA AND SLOVAKIA

CURRENCY REGIME

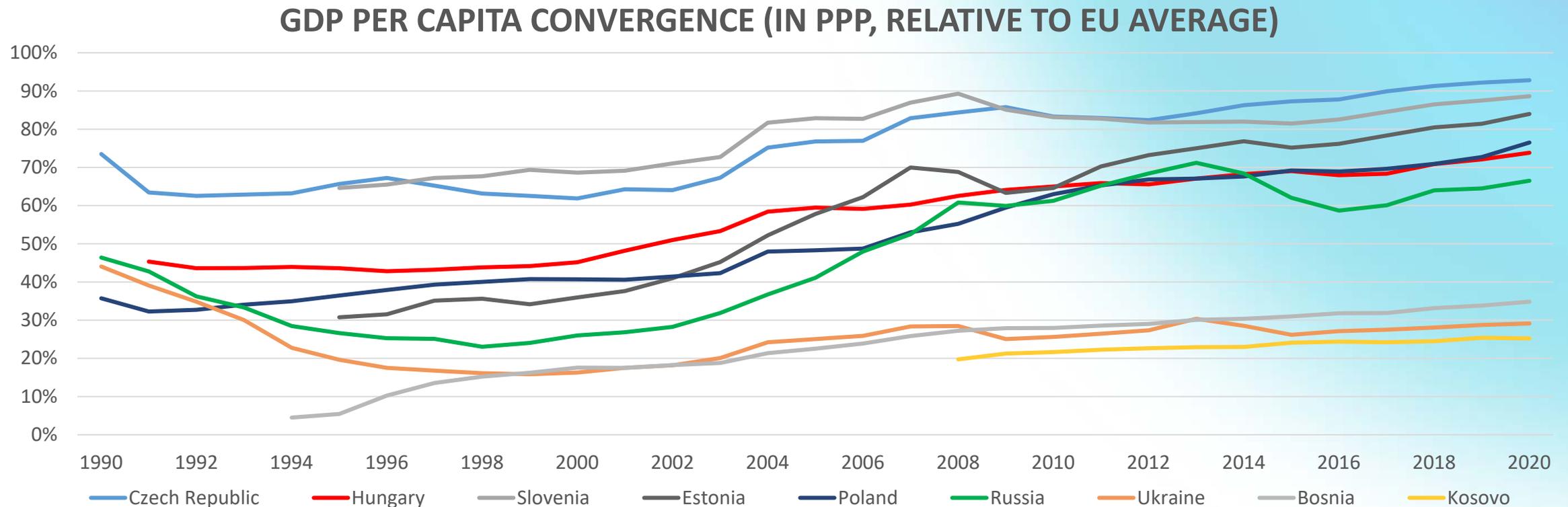
GDP GROWTH



Source: IFS

WHERE DID WE ARRIVE?

SUBSTANTIVE INCOME CONVERGENCE

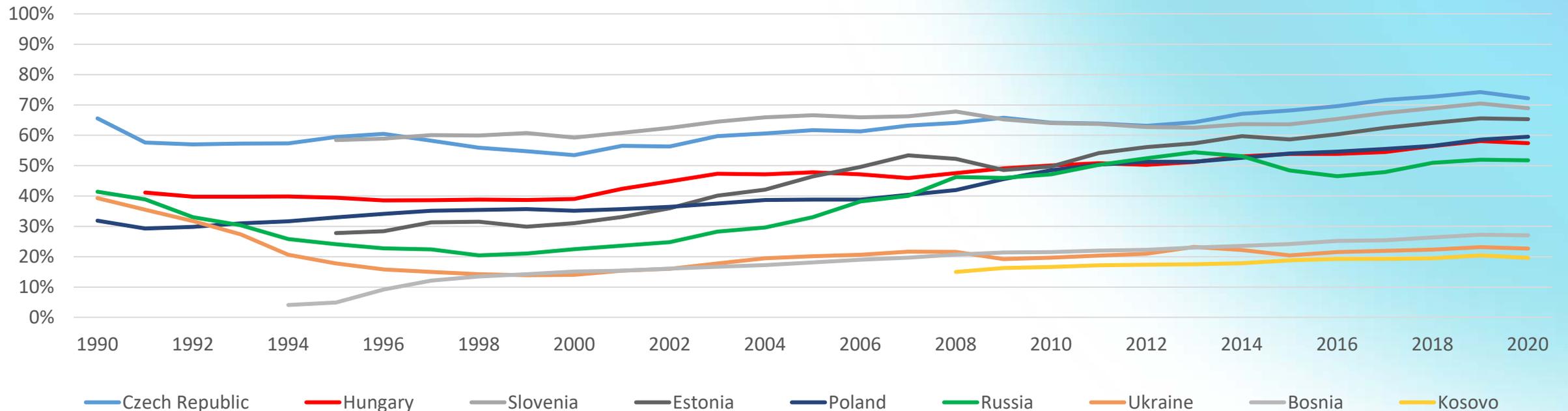


Note: The frontier (= 100) is defined as the average per capita income of the EU.
Definition of EU average is population weighted, and adjusted with countries joining/leaving the EU.

WHERE DID WE ARRIVE?

SUBSTANTIVE INCOME CONVERGENCE

GDP PER CAPITA CONVERGENCE (IN PPP, RELATIVE TO FRONTIER COUNTRIES)



Note: The frontier (= 100) is defined as the average per capita income of the group of the highest-income small EU countries (Sweden, Denmark, the Netherlands and Austria), as most CESEE countries are small and open economies. This group of reference countries are not only among the highest-income countries in the world, but more broadly represent the global frontier of economic and social development.

WHERE DID WE ARRIVE?

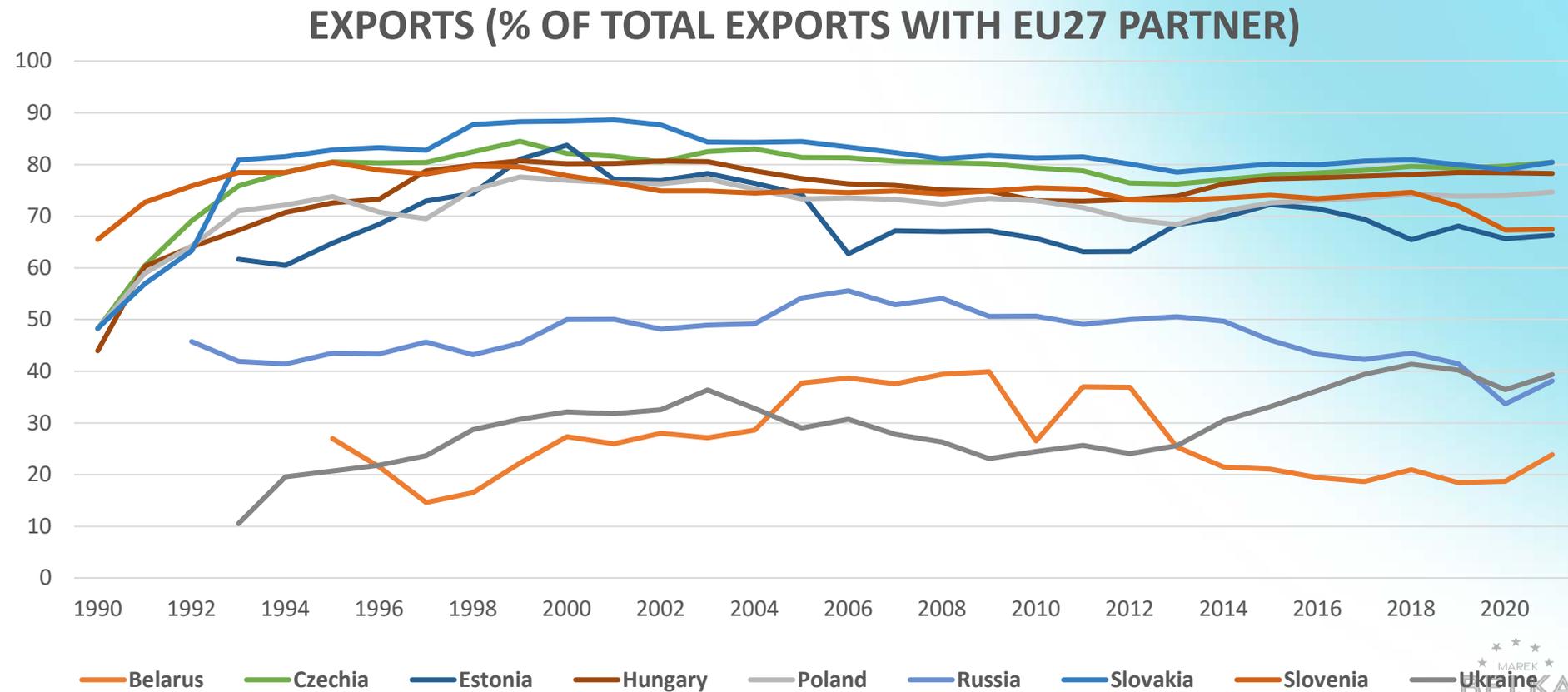
SUBSTANTIVE INCOME CONVERGENCE

CONSUMPTION AND EXPORT-DRIVEN GROWTH

LOW INVESTMENT

WHERE DID WE ARRIVE?

HIGH DEPENDENCE ON TRADE WITH THE EU



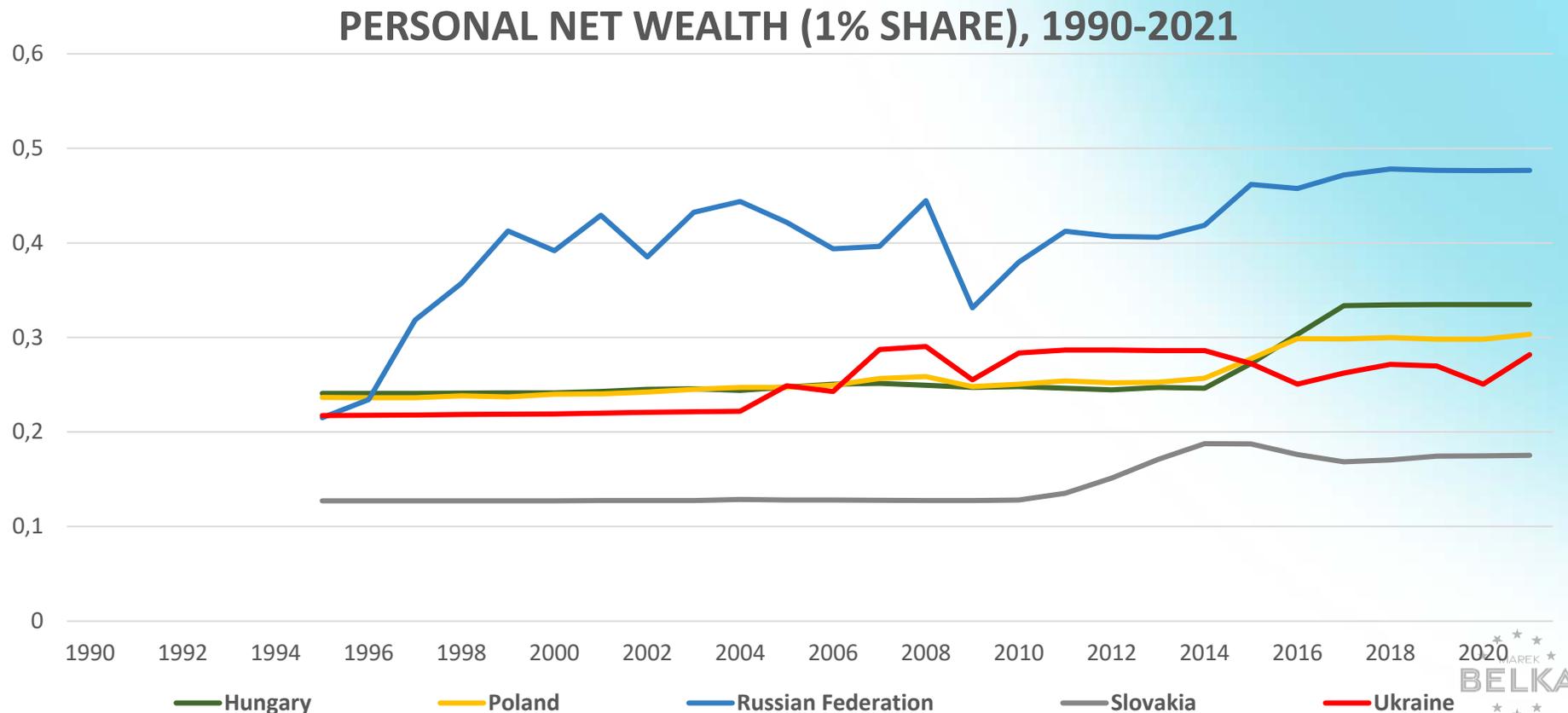
Note: EU partner defined as country belonging to EU27 country category



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WHERE DID WE ARRIVE?

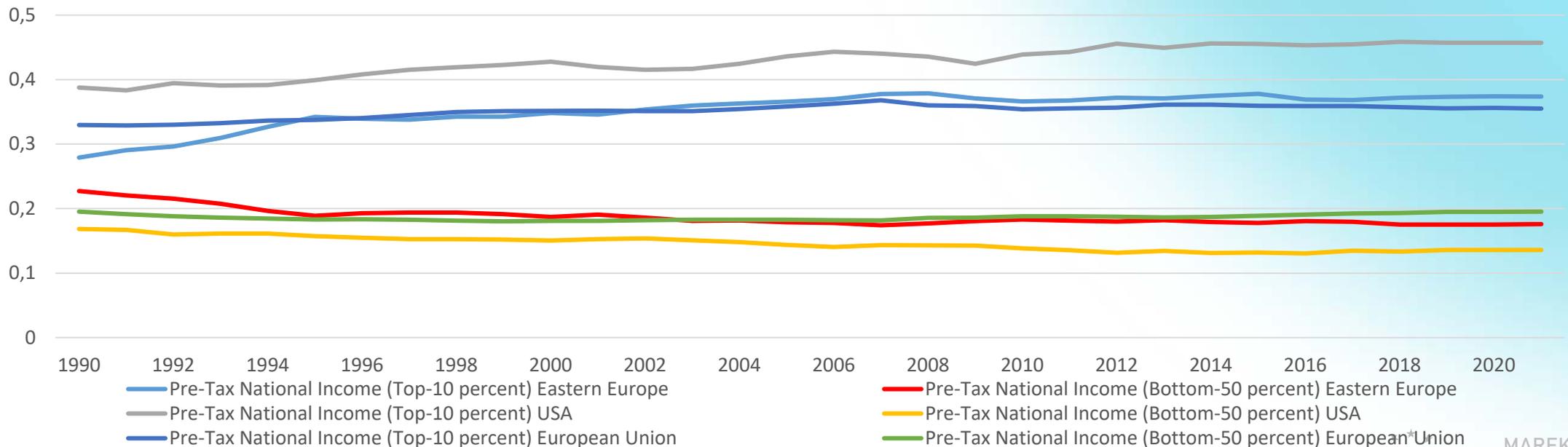
INCREASED (BUT STILL NOT RELATIVELY EXCESSIVE)
INCOME DISPARITIES



WHERE DID WE ARRIVE?

INCREASED (BUT STILL NOT RELATIVELY EXCESSIVE)
INCOME DISPARITIES

PRE-TAX NATIONAL INCOME IN EASTERN EUROPE, EUROPEAN UNION AND UNITED STATES GOING TO THE TOP-10 PERCENT AND BOTTOM-50 PERCENT, 1990-2021



Source: World Income Distribution

WHERE DID WE ARRIVE?

INCREASED (BUT STILL NOT RELATIVELY EXCESSIVE)
INCOME DISPARITIES

GINI INDEXES

| Country | Index (2018) |
|----------|--------------|
| Russia | 37.5 |
| Poland | 30.2 |
| Czechia | 25.0 |
| Slovakia | 25.0 |

| Country | Index (2018) |
|---------|--------------|
| Germany | 31.7 |
| France | 32.4 |
| Spain | 34.7 |
| Italy | 35.2 |

| Country | Index (2018) |
|-----------|--------------|
| USA | 41.4 |
| UK | 35.1 (2017) |
| Australia | 34.3 |
| Canada | 33.3 |

WHERE DID WE ARRIVE?

SUBSTANTIVE INCOME CONVERGENCE

CONSUMPTION AND EXPORT-DRIVEN GROWTH

LOW INVESTMENT

HIGH DEPENDENCE ON TRADE WITH THE EU

INCREASED (BUT STILL RELATIVELY EXCESSIVE) INCOME DISPARITIES

CHALLENGES AHEAD

DEMOGRAPHY

FRAGILITY OF DEMOCRATIC INSTITUTIONS

ENERGY TRANSITION (FIT FOR 55)

MIDDLE-INCOME TRAP?

RUSSIA – POSING A THREAT TO PEACE AND STABILITY IN THE REGION
(UKRAINE, MOLDOVA, SERBIA, BIH)

WILL THE CURRENT BUSINESS MODEL SURVIVE?

QUESTIONS



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THANK YOU FOR YOUR ATTENTION



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