

*Economic Commission for Europe*  
*Geneva*

# ECONOMIC SURVEY OF EUROPE

2002 No. 1

*Prepared by the*  
SECRETARIAT OF THE  
ECONOMIC COMMISSION FOR EUROPE  
GENEVA



UNITED NATIONS  
New York and Geneva, 2002

## **NOTE**

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

UNITED NATIONS PUBLICATION

*Sales No. E.02.II.E.7*

ISBN 92-1-116803-1  
ISSN 0070-8712

Copyright © United Nations, 2002  
All rights reserved  
Printed at United Nations, Geneva (Switzerland)

## CONTENTS

	<i>Page</i>
<i>Explanatory notes</i> .....	<i>x</i>
<i>Abbreviations</i> .....	<i>xi</i>
<i>Preface</i> .....	<i>xiii</i>

### Part One

#### ***MACROECONOMIC TRENDS AND PROSPECTS IN THE ECE REGION***

<b><i>Chapter 1</i></b> THE ECE ECONOMIES IN SPRING 2002 .....	<b>3</b>
1.1 Introduction .....	3
1.2 Western Europe and North America .....	4
(i) The current outlook .....	4
(ii) EMU: the currency changeover and the macroeconomic policy framework .....	7
1.3 The transition economies .....	10
(i) Recent developments .....	10
(ii) The short-term outlook .....	12
<b><i>Chapter 2</i></b> THE GLOBAL CONTEXT AND WESTERN EUROPE .....	<b>15</b>
2.1 The global context .....	15
(i) Overview .....	15
(ii) North America .....	19
(iii) Japan .....	24
2.2 Western Europe .....	25
(i) Euro area .....	25
(ii) Other western Europe .....	34
2.3 The two pillars of the ECB monetary strategy .....	35
2.4 Some reflections on the “weakness” of the euro .....	39
(i) Possible factors behind the euro’s weakness .....	39
(ii) Conclusions .....	42
2.5 Overview of growth patterns in industrialized countries in the 1990s: the role of demand factors .....	42
(i) Growth performance in the 1990s .....	42
(ii) Demand factor contributions .....	43
<b><i>Chapter 3</i></b> THE TRANSITION ECONOMIES .....	<b>51</b>
3.1 Macroeconomic policy .....	51
(i) Monetary policy .....	51
(ii) Fiscal policy .....	56
(iii) Economic distress in Poland .....	63
(iv) Can Russia be a regional growth engine? .....	69
(v) Is there a risk of “currency board contagion” for the transition economies? .....	74

	<i>Page</i>
3.2 Output and demand .....	76
(i) Patterns of output and demand in 2001 .....	76
(ii) Eastern Europe and the Baltic states .....	80
(iii) Commonwealth of Independent States .....	86
(iv) Openness and the cyclical behaviour of selected east European and Baltic economies .....	88
3.3 Costs and prices .....	95
(i) Consumer prices in 2001 .....	96
(ii) Producer prices and labour costs in industry in 2001 .....	99
(iii) Sources of inflation in the transition economies of eastern Europe and the Baltics, 1991-2001 .....	102
3.4 Labour markets .....	112
(i) Employment and unemployment in 2001 .....	112
(ii) Changes in the structure of unemployment, 1998-2001 .....	115
(iii) The changing patterns of manufacturing employment, 1993-2000 .....	119
3.5 Foreign trade and payments .....	127
(i) Current account developments .....	127
(ii) International trade .....	129
(iii) Trade specialization by stage of production in eastern Europe and the Baltic states, 1996-2000 .....	137
(iv) External financing, FDI and debt issues .....	149

## **Part Two**

### ***POLICIES FOR ADJUSTMENT AND GROWTH***

<i>Chapter 4</i> <b>TECHNOLOGICAL ACTIVITY IN THE ECE REGION DURING THE 1990s</b> .....	161
4.1 Introduction .....	161
4.2 Convergence and divergence in per capita income levels in the 1990s .....	162
4.3 Education and technological learning .....	164
4.4 R&D activity in the ECE region during the 1990s .....	167
(i) The structure of R&D .....	167
(ii) Shifting spending priorities or improving efficiency? .....	169
4.5 Inventive activity in the ECE region .....	170
4.6 Innovative activity in Europe .....	172
4.7 International technology transfer and domestic spillovers in eastern Europe .....	175
4.8 Is there a role for science and technology policy? .....	176
<i>Chapter 5</i> <b>ALTERNATIVE POLICIES FOR APPROACHING EMU ACCESSION BY CENTRAL AND EAST EUROPEAN COUNTRIES</b> .....	181
5.1 Introduction .....	181
5.2 Catching up and EMU accession .....	182
(i) Income gap – structural gap .....	182
(ii) Equilibrium real appreciation and inflation in catching-up economies .....	183
(iii) Macroeconomic constraints and risks during the catching-up period .....	184
(iv) Policy challenges .....	185

	<i>Page</i>
5.3 The role of the exchange rate regime in a catch-up process .....	186
(i) Flexible exchange rates as a policy tool .....	187
(ii) The role of nominal anchors .....	187
(iii) The exchange rate mechanism (ERM-2) as a flexible tool for managing convergence .....	188
5.4 EMU accession scenarios .....	189
(i) The policy framework of EMU accession .....	189
(ii) The timing of accession .....	191
(iii) The choice of accession strategy .....	192
5.5 Conclusions .....	193

### **Part Three**

#### ***SOCIAL DIMENSIONS OF ECONOMIC DEVELOPMENT***

<i>Chapter 6</i> NEW FORMS OF HOUSEHOLD FORMATION IN CENTRAL AND EASTERN EUROPE: ARE THEY RELATED TO NEWLY EMERGING VALUE ORIENTATIONS? .....	197
6.1 Introduction .....	197
6.2 The European Values Surveys of 1999 .....	199
6.3 Which values matter? .....	201
6.4 The footprints of selection and adaptation: what to expect? .....	203
6.5 Measurement and profiles: do we find the footprints of selection and adaptation? .....	205
6.6 Finer distinctions .....	208
6.7 Changes in value orientations during the 1990s .....	213
6.8 Conclusions .....	215

### **Part Four**

#### ***STATISTICAL APPENDIX***

STATISTICAL APPENDIX .....	217
----------------------------	-----

*LIST OF TABLES*

<i>Table</i>	<i>Page</i>
1.1.1 Annual changes in real GDP in the ECE region, 1999-2002 .....	3
1.2.1 Real GDP in the ECE market economies, 2000-2002 .....	5
1.3.1 Annual changes in real GDP in eastern Europe, the Baltic states and the CIS, 1999-2002 .....	11
2.1.1 Quarterly changes in real GDP in the major seven economies, 2000QIV-2001 .....	17
2.1.2 Annual changes in real GDP and major expenditure items in the United States, 2000-2001 .....	21
2.1.3 Annual changes in real GDP and major expenditure items in Japan, 2000-2001 .....	25
2.2.1 Annual changes in the major expenditure items on GDP in western Europe, North America and Japan, 2000-2001 .....	28
2.2.2 Contributions of major expenditure items to annual changes in real GDP in western Europe, 2000-2001 .....	29
2.2.3 Inflation in western Europe and North America, 1999-2001 .....	30
2.2.4 Unemployment in western Europe and North America, 1999-2001 .....	31
2.2.5 General government budgetary positions in the European Union, 2000-2002 .....	34
2.5.1 Macroeconomic indicators for industrialized countries, 1970-2000 .....	43
2.5.2 Changes in expenditure items and their contribution to real GDP growth in industrialized countries, 1990-2000 .....	44
2.5.3 Changes in expenditure items and their contribution to real GDP growth in major economies, 1990-2000 .....	45
3.1.1 Short-term interest rates in selected east European, Baltic and CIS economies, 1999-2001 .....	54
3.1.2 Monetization in selected east European, Baltic and CIS economies: share of monetary aggregates in GDP, 1997-2001 .....	56
3.1.3 Consolidated general government deficits and their sources of financing in eastern Europe, the Baltic states and the CIS, 1998-2002 .....	58
3.1.4 Consolidated general government current revenue in eastern Europe, the Baltic states and the CIS, 1999-2001 .....	61
3.1.5 Consolidated general government expenditure in eastern Europe, the Baltic states and the CIS, 1999-2001 .....	63
3.2.1 GDP and industrial output in eastern Europe, the Baltic states and the CIS, 1999-2001 .....	77
3.2.2 Contribution of final demand components to real GDP growth in selected east European, Baltic and CIS economies, 1999-2001 .....	81
3.2.3 Real domestic demand components in selected east European, Baltic and CIS economies, 1999-2001 .....	83
3.2.4 Investment outlays in selected east European, Baltic and CIS economies, 1999-2001 .....	84
3.2.5 Retail trade in the east European, Baltic and CIS economies, 1999-2001 .....	84
3.2.6 Contributions of exports and net exports to cumulative real GDP growth during two recent recoveries in eastern Europe and the Baltic states .....	90
3.2.7 Simple correlations between trade ratios and GDP in eastern Europe and the Baltic states, 1995QI-2001QII .....	93
3.2.8 Correlations between quarterly rates of change of exports and imports in eastern Europe and the Baltic states, 1995QI-2001QII .....	94
3.3.1 Consumer prices in eastern Europe, the Baltic states and the CIS, 2000-2001 .....	96
3.3.2 Producer prices, wages and unit labour costs in industry in eastern Europe, the Baltic states and the CIS, 2000-2001 .....	99
3.3.3 Contributions to changes in the GDP and domestic demand deflators in selected east European and Baltic economies, 1998-2001 .....	106
3.4.1 Total employment and registered unemployment in eastern Europe, the Baltic states and the CIS, 1999-2001 .....	113
3.4.2 Male and female activity rates in selected central and east European economies, 1985, 1997-2000 .....	119
3.4.3 Cumulative changes in manufacturing employment by branches in selected central European economies, 1993 and 2000 .....	121
3.4.4 Changes in manufacturing employment by branches, 1993 and 2000 .....	124
3.4.5 Breakdown of employment in manufacturing in selected central European economies and the EU, 1993 and 2000 .....	125
3.4.6 Cross-country similarity indices of manufacturing employment in selected central European economies and the EU, 1993 and 2000 .....	125
3.4.7 Relative country employment specialization by branch, 1993 and 2000 .....	126
3.4.8 Main features of employment specialization in selected central European economies, 2000 .....	126
3.5.1 Current account balances of the ECE transition economies, 2000-2001 .....	128
3.5.2 Trade performance and external balances of the ECE transition economies, 2000-2001 .....	130
3.5.3 Foreign trade of the ECE transition economies by direction, 1999-2001 .....	131
3.5.4 Changes in the volume of foreign trade in selected transition economies, 1998-2001 .....	132
3.5.5 CIS countries' trade with CIS and non-CIS countries, 1999-2001 .....	137
3.5.6 Composition of east European and Baltic trade by stages of production, 1996-2000 .....	143
3.5.7 Revealed comparative advantage by stage of production, 1996 and 2000 .....	145
3.5.8 Types of trade among the east European and Baltic countries and with the EU, 1996-2000 .....	147
3.5.9 Average ratio and coefficient of variation of export to import unit values in trade with EU, 1996, 1998 and 2000 .....	149
3.5.10 Net capital flows into the ECE transition economies, 2000-2001 .....	150
3.5.11 Net capital flows by type of capital into eastern Europe, the Baltic states and selected members of the CIS, 1999-2001 .....	151
3.5.12 Selected external financial indicators for eastern Europe, the Baltic states and the CIS, 1999-2001 .....	152
3.5.13 Foreign direct investment in the ECE transition economies, 2000-2001 .....	154
3.5.14 Fitch credit rating for the transition economies and changes in 2000-2002 .....	156

<i>Table</i>	<i>Page</i>
4.3.1	Educational attainment of the workforce in the ECE region, 2000 ..... 164
4.3.2	Gross enrolment ratios in the ECE region, 1989 and 1996 ..... 165
4.3.3	Expenditure per student in the ECE region by level of education, 1998 ..... 166
4.4.1	R&D intensity in the ECE region, 1981-2000 ..... 168
4.4.2	Gross expenditure on R&D (GERD) by source of financing and performing sector in the ECE region, 1999 ..... 170
4.5.1	Patenting activity in the ECE region, 1990-2000 ..... 172
4.6.1	Innovative activity in European firms, 1994-1996 ..... 173
4.6.2	Structure of innovative expenditure in manufacturing and services in the ECE region, 1996 ..... 174
4.7.1	International royalties and licence fees in the ECE region, 2000 ..... 175
4.8.1	Government budget appropriations or outlays for R&D (GBAORD) in the ECE region, 2000 ..... 178
5.2.1	The speed of catching up by the CEEC-10, 1996-2004 ..... 183
5.2.2	Structural indicators in the CEEC-10, 1995-2000 ..... 184
5.4.1	Indicators of nominal convergence of CEEC-10 with the Maastricht criteria, 1996-2001 ..... 190
6.2.1	European Values Surveys, 1999: sample size and relative proportion of household positions in three regional groups of countries ..... 200
6.2.2	Unmarried cohabitation of women in the transition economies in the 1990s ..... 201
6.5.1	European Values Surveys, 1999: overview of 80 values used in the current analysis ..... 206
6.7.1	Trends in selected comparable items among respondents aged 18-49, three groups of countries with transition economies, 1990 and 1999 ..... 214
A.1	Real GDP in western Europe, North America and Japan, 1987-2001 ..... 219
A.2	Real private consumption expenditure in western Europe, North America and Japan, 1987-2001 ..... 220
A.3	Real general government consumption expenditure in western Europe, North America and Japan, 1987-2001 ..... 221
A.4	Real gross domestic fixed capital formation in western Europe, North America and Japan, 1987-2001 ..... 222
A.5	Real total domestic expenditures in western Europe, North America and Japan, 1987-2001 ..... 223
A.6	Real exports of goods and services in western Europe, North America and Japan, 1987-2001 ..... 224
A.7	Real imports of goods and services in western Europe, North America and Japan, 1987-2001 ..... 225
A.8	Industrial output in western Europe, North America and Japan, 1987-2001 ..... 226
A.9	Total employment in western Europe, North America and Japan, 1987-2001 ..... 227
A.10	Standardized unemployment rates in western Europe, North America and Japan, 1987-2001 ..... 228
A.11	Consumer prices in western Europe, North America and Japan, 1987-2001 ..... 229
B.1	Real GDP/NMP in eastern Europe, the Baltic states and the CIS, 1980, 1988-2001 ..... 230
B.2	Real total consumption expenditure in eastern Europe, the Baltic states and the CIS, 1980, 1988-2001 ..... 231
B.3	Real gross fixed capital formation in eastern Europe, the Baltic states and the CIS, 1980, 1988-2001 ..... 231
B.4	Real gross industrial output in eastern Europe, the Baltic states and the CIS, 1980, 1988-2001 ..... 232
B.5	Total employment in eastern Europe, the Baltic states and the CIS, 1980, 1988-2001 ..... 233
B.6	Employment in industry in eastern Europe, the Baltic states and the CIS, 1989-2001 ..... 234
B.7	Registered unemployment in eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 235
B.8	Consumer prices in eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 236
B.9	Producer price indices in eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 237
B.10	Nominal gross wages in industry in eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 238
B.11	Merchandise exports of eastern Europe, the Baltic states and the CIS, 1980, 1989-2001 ..... 239
B.12	Merchandise imports of eastern Europe, the Baltic states and the CIS, 1980, 1989-2001 ..... 240
B.13	Balance of merchandise trade of eastern Europe, the Baltic states and the CIS, 1980, 1989-2001 ..... 241
B.14	Merchandise trade of eastern Europe and the Russian Federation, by direction, 1980, 1989-2001 ..... 242
B.15	Exchange rates of eastern Europe, the Baltic states and the CIS, 1980, 1990-2001 ..... 243
B.16	Current account balances of eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 244
B.17	Inflows of foreign direct investment in eastern Europe, the Baltic states and the CIS, 1990-2001 ..... 245

### *LIST OF CHARTS*

<i>Chart</i>	<i>Page</i>
2.1.1	Annual changes in real GDP in the world economy, 1980-2001 ..... 16
2.1.2	Changes in key official interest rates in the major industrialized countries, January 1999-February 2002 ..... 17
2.1.3	International share prices, January 1999-January 2002 ..... 18
2.1.4	World commodity prices, January 2000-February 2002 ..... 19
2.1.5	Crude petroleum prices, January 2000-February 2002 ..... 19
2.1.6	Quarterly changes in real GDP and major expenditure items in the United States, 1998-2001 ..... 20

<i>Chart</i>	<i>Page</i>
2.1.7 Consumer confidence and retail sales in the United States, January 1993-January 2002 .....	21
2.1.8 Output and capacity utilization in manufacturing industry in the United States, January 1997-January 2002 .....	22
2.1.9 Consumer prices in the United States, January 1999-January 2002 .....	22
2.1.10 Employment and unemployment in the United States, January 1998-February 2002 .....	23
2.1.11 United labour costs in the United States, 1998-2001 .....	23
2.1.12 Average monthly nominal short-term and long-term interest rates in the United States, January 1998-January 2002 .....	24
2.1.13 Nominal and real effective exchange rates of the dollar, January 1995-February 2002 .....	24
2.1.14 Exchange rate of the yen, January 1999-January 2002 .....	25
2.2.1 Quarterly changes in real GDP and major expenditure items in the euro area, 1998-2001 .....	26
2.2.2 Manufacturing output and capacity utilization in the euro area, 1997-2001 .....	27
2.2.3 Business and consumer confidence in the European Union, January 1995-February 2002 .....	27
2.2.4 Consumer prices in the euro area, January 2000-January 2002 .....	30
2.2.5 Employment and unemployment in the euro area, 1993-2001 .....	31
2.2.6 Unit labour costs in the euro area, 1995-2001 .....	32
2.2.7 Average monthly nominal short-term and long-term interest rates in the euro area, January 1998-February 2002 .....	32
2.2.8 The exchange rate of the euro, January 1999-January 2002 .....	33
2.2.9 Monetary conditions index (MCI) for the euro area, January 1999-December 2001 .....	33
2.3.1 M3 growth and money market rates in the euro area, 1999-2001 .....	37
3.1.1 Real effective exchange rates in selected east European and Baltic economies, 1995-2001 .....	55
3.1.2 Real exchange rates against the Russian rouble in selected CIS economies, 1999-2001 .....	57
3.1.3 Fiscal balance and its change from the previous year in eastern Europe, the Baltic states and the CIS, 2000-2001 .....	59
3.1.4 Changes in the fiscal balance and domestic absorption in eastern Europe, the Baltic states and the CIS, 2000-2001 .....	60
3.1.5 Contributions to Poland's GDP growth, 1991-2001Q3 .....	64
3.1.6 Consumption and investment growth in Poland, 1991-2001Q3 .....	65
3.1.7 The current account and the volume of exports in Poland, 1993-2001Q3 .....	65
3.1.8 The volume of retail sales in Poland, 1997-2001 .....	66
3.1.9 The average profitability of Polish enterprises, 1995-2001 .....	66
3.1.10 Monthly exports of crude oil from Russia, 1996-2001 .....	71
3.1.11 Brent crude price, real exchange rate of the rouble and Russia's real revenue from oil exports, 1996-2001 .....	72
3.1.12 Annual change in Russia's real revenue from oil exports and its components, 1997-2001 .....	72
3.1.13 Russia's real revenue from oil exports and the rate of GDP growth, 1996-2001 .....	73
3.1.14 Russia's real revenue from oil exports and the general government fiscal balance, 1996-2001 .....	73
3.1.15 Changes in the real exchange rate of the Russian rouble, 1995-2001 .....	74
3.2.1 Trend and dispersion of monthly changes in industrial production in transition economies by subregions, January 1997-December 2001 .....	78
3.2.2 Dynamics of monthly industrial production in transition economies and the European Union, centred three-month moving averages, January 1998-December 2001 .....	79
3.2.3 Annual rates of change of manufacturing output by NACE industries in selected east European and Baltic economies, 1999-2001 .....	85
3.2.4 The openness of 11 east European and Baltic economies, 1991-2000 .....	89
3.2.5 The contribution of exports to cumulative real GDP growth and openness in eastern Europe and the Baltic states .....	91
3.2.6 The contribution of net exports to cumulative real GDP growth and openness in eastern Europe and the Baltic states .....	92
3.2.7 Partial correlation coefficients between export ratios and real effective exchange rates (REERs) versus the partial correlations between export ratios and foreign (EU) activity, 1996Q1-2000QII .....	94
3.3.1 Components of consumer prices in eastern Europe, the Baltic states and the CIS, 1998-2001 .....	97
3.3.2 Consumer and industrial producer prices in eastern Europe, the Baltic states and the CIS, 1998-2001 .....	101
3.3.3 Change in the GDP and domestic demand deflators in selected east European and Baltic economies, 1991-2001 .....	108
3.3.4 Change in the export and import deflators in selected east European and Baltic economies, 1991-2001 .....	109
3.3.5 Share of imports in domestic demand in selected east European and Baltic economies, 1991-2001 .....	110
3.3.6 The contributions of domestic costs and import prices to the total domestic inflation rate in selected east European and Baltic economies, 1991-2001 .....	111
3.4.1 Unemployment rates in selected central and east European economies, 1998-2001 .....	115
3.4.2 Dynamics of male and female unemployment rates in selected central and east European economies, 1998-2001 .....	117
3.4.3 Ratio of female to male unemployment rates, in selected central and east European economies, 1998Q2 and 2001Q2 .....	118
3.4.4 Total and youth unemployment rates in selected central and east European economies, 2001Q2 .....	120
3.4.5 Total unemployment rate and share of women, youth and long-term unemployed in total unemployment in selected central and east European economies, 2001Q2 .....	120
3.4.6 Output and employment in manufacturing in selected central European economies, 1993-2000 .....	122
3.4.7 Share of manufacturing in total employment in selected central European economies, 1993 and 2000 .....	123
3.4.8 Job creation and job destruction in manufacturing industries in selected central European economies, 1993-2000 .....	124
3.4.9 Relative specialization in manufacturing employment, the four countries combined vis-à-vis the EU average, 1993 and 2000 .....	127



<i>Chart</i>	<i>Page</i>
3.5.1	Specific western demand for selected transition economies' exports, 1998-2002 ..... 133
3.5.2	Exports and imports by commodity groups, January-September 2000 and January-September 2001 ..... 134
3.5.3	Monthly dollar exports and imports in selected transition economies, 2000-2001 ..... 135
3.5.4	Geographical concentration of east European and Baltic countries' exports, 1993-2000 ..... 138
3.5.5	Commodity structure of east European and Baltic countries' exports to the world, 1996-2000 ..... 139
3.5.6	Commodity concentration of east European and Baltic countries' exports, 1993-2000 ..... 140
3.5.7	Changes in the structures of exports from eastern Europe and the Baltic states, 1993-2000 ..... 141
3.5.8	Share of intra-industry in total trade in manufactures between EU and east European and Baltic countries and in trade with CEFTA-7, 1993-2000 ..... 148
3.5.9	Yield spreads on the international bonds of selected transition and other emerging market economies, 2000-February 2002 ..... 157
4.2.1	Real GDP per capita in current PPPs in the region, 1993 and 2000 ..... 163
4.2.2	High-technology exports and per capita GDP in the ECE region, 1999 ..... 163
4.3.1	Public expenditure per secondary student in relation to GDP per capita in the ECE region, 1995 ..... 166
4.3.2	Public expenditure per tertiary student in relation to GDP per capita in the ECE region, 1995 ..... 166
4.4.1	Real GDP and GERD growth rates in the European Union and the United States, 1986-2000 ..... 169
4.4.2	Real GDP and GERD growth rates in Hungary, 1991-2000 ..... 169
4.4.3	Research intensity and GDP per capita in the UNECE region, 1991 and 1999 ..... 171
4.4.4	Researchers per thousand of the labour force and GDP per capita in the ECE region, 1991 and 1999 ..... 171
4.5.1	Resident patents per million of the population and per capita GDP in the ECE region, 1996-1998 average ..... 172
4.6.1	Manufacturing innovation and per capita GDP in Europe, 1996 ..... 173
4.6.2	Manufacturing innovation and R&D intensity in Europe, 1996 ..... 174
4.7.1	High-technology imports and per capita GDP in the ECE region, 1999 ..... 176
5.2.1	Productivity growth and inflation differentials in CEEC-8 and the EU, 1987-1998 ..... 185
5.3.1	Nominal exchange rates of CEEC-5 currencies against the deutsche mark, 1996-2001 ..... 188
5.3.2	Interest rate premia on the Czech koruna, Hungarian forint and Polish zloty, 1995-2001 ..... 189
6.4.1	Flow chart of life-course development and hypothesized changes in value orientations stemming from selection-adaptation mechanism ..... 204
6.5.1	Number of positive (non-conformist) net deviations for 80 items, European Values Surveys, 1999: pooled results for eight western, seven central and five east European countries ..... 207
6.5.2	Number of positive (non-conformist) net deviations for groups of items and countries, European Values Surveys, 1999 ..... 208
6.6.1	Correspondence between household positions and 80 non-conformist values, European Values Surveys, 1999: results for eight west European countries ..... 210
6.6.2	Correspondence between household positions and 80 non-conformist values, European Values Surveys, 1999: results for seven central European countries ..... 211
6.6.3	Correspondence between household positions and 80 non-conformist values, European Values Surveys, 1999: results for five east European countries ..... 213

### *LIST OF BOXES*

<i>Box</i>	<i>Page</i>
3.1.1	Why are fiscal deficits not measured accurately? ..... 62
3.3.1	Contributions to changes in the GDP and domestic demand deflators ..... 104
3.5.1	Indicator of revealed comparative advantage ..... 142

## EXPLANATORY NOTES

The following symbols have been used throughout this *Survey*:

- .. = not available or not pertinent
- = nil or negligible
- \* = estimate by the secretariat of the Economic Commission for Europe
- | = break in series

In referring to a combination of years, the use of an oblique stroke (e.g. 1998/99) signifies a 12-month period (say, from 1 July 1998 to 30 June 1999). The use of a hyphen (e.g. 1999-2001) normally signifies either an average of, or a total for, the full period of calendar years covered (including the end-years indicated).

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of “billion” used throughout is a thousand million. The definition of “trillion” used throughout is a thousand billion. Minor discrepancies in totals and percentages are due to rounding.

References to dollars (\$) are to United States dollars unless otherwise specified.

The membership of the United Nations Economic Commission for Europe (UNECE) consists of all the states of western Europe, eastern Europe and the territory of the former Soviet Union, North America and Israel.

The term *transition economies*, as used in the text and tables of this publication, refers to the formerly centrally planned economies of the ECE regions. *Eastern Europe* refers to the economies of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, The former Yugoslav Republic of Macedonia and Yugoslavia. The *Baltic states* refers to Estonia, Latvia and Lithuania and the *CIS countries* refers to Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

## ABBREVIATIONS

ADB	Asian Development Bank
BBC	British Broadcasting Corporation
BEC	broad economic categories
BIS	Bank for International Settlements
BSE	bovine spongiform encephalopathy
CBA	currency board arrangement
CEECs	central and east European countries
CEFTA	Central European Free Trade Agreement
CEPR	Center for Economic Policy Research
CERN	European Organization for Nuclear Research
CETE	central European transition economies
c.i.f.	cost, insurance and freight
CIS	Commonwealth of Independent States
CMEA	(former) Council for Mutual Economic Assistance
CPI	consumer price index
CTB	contribution to the trade balance
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECU	European currency unit
EFF	Extended Fund Facility (of IMF)
EIU	Economist Intelligence Unit
EMS	European Monetary System
EMU	economic and monetary union
ERM-2	exchange rate mechanism-2 (replaces the EMS)
ESA	European System of Integrated Economic Accounts
ESRI	The Economic and Social Research Institute
EU	European Union
EURIBOR	euro interbank offered rate
EVS	European Values Surveys
FDI	foreign direct investment
GDP	gross domestic product
GDR	(former) German Democratic Republic
GERD	gross expenditure on R&D
GNI	gross national income
HICP	Harmonized Index of Consumer Prices
HWWA	Hamburg Institute for Economic Research
ICT	information and communication technology
IFI	international financial institutions
IIF	Institute of International Finance, Inc.
ILO	International Labour Office
IMF	International Monetary Fund
IPR	intellectual property right

ISIC	International Standard Industrial Classification
IT	information technology
MCA	Multiple Classification Analysis
MCI	monetary conditions index
MNC	multinational corporation
MPC	Monetary Policy Council
NACE	Nomenclature générale des activités économiques dans les Communautés européennes (General Industrial Classification of Economic Activities within the European Communities)
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
NBER	National Bureau of Economic Research, Inc.
n.e.c.	not elsewhere classified
n.e.s.	not elsewhere specified
NMP	net material product
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OPT	outward processing trade
PPI	producer price index
PPP	purchasing power parity
PSA	production sharing agreement
RCA	revealed comparative advantage
RCD	revealed comparative disadvantage
R&D	research and development
RFE/RL	Radio Free Europe/Radio Liberty
RPIX	retail price index excluding mortgage interest payments
SETE	south-east European transition economies
SGP	Stability and Growth Pact
SITC	Standard International Trade Classification
SNA	System of National Accounts
S&T	science and technology
TACIS	Technical Assistance for the Commonwealth of Independent States (of the EU)
TBP	technology balance of payments
TFR	total fertility rate
TNC	transnational corporation
UIP	uncovered interest parity
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
USSR	(former) Union of Soviet Socialist Republics
VAT	value added tax
WIIW	The Vienna Institute for International Economic Studies
WTO	World Trade Organization

## P R E F A C E

The present *Survey* is the fifty-fifth in a series of annual reports prepared by the secretariat of the United Nations Economic Commission for Europe to serve the needs of the Commission and of the United Nations in reporting on and analysing world economic conditions.

Until 1997 the *Economic Survey of Europe* was issued once a year as was the *Economic Bulletin for Europe*, the secretariat's second publication which focused on trade and payments issues. At its 52nd Session, in April 1997, the Commission decided to replace these two publications with an annual *Survey* of several issues. In 1998 and 1999 there were three issues each year. There are now two issues a year published in April and November.

The Survey is published on the sole responsibility of the Executive Secretary of ECE and the views expressed in it should not be attributed to the Commission or to its participating governments.

The analysis in this issue is based on data and information available to the secretariat in late March 2002.

Economic Analysis Division  
United Nations Economic Commission for Europe  
Geneva