The Reds' Scare:

A statistical analysis of the transition to a free market by ex-Warsaw Pact and post-Soviet countries

The Cold War was a time of great uncertainty in the world... the threat of a nuclear war loomed and Europe, particularly in the east and central countries, seemed destined to be the battlefield. As Soviet Russia fell, these times seemed to at last be at an end and people celebrated the aversion of more bloodshed on the continent.

The USSR, however, left a large power vacuum in its wake and the loss of its relative economic strength had far-reaching consequences. Inflation sky-rocketed in the countries of the former Soviet Bloc, and with the transition to a free market economy, even the former members of the Warsaw Pact saw their economies temporarily stall which was not the kind of stability they had been seeking. The economic fortunes of the Europe's western-most former communist nations would soon take off once more, but in the former Soviet Union, this is a story that contnues to play out even to the present.

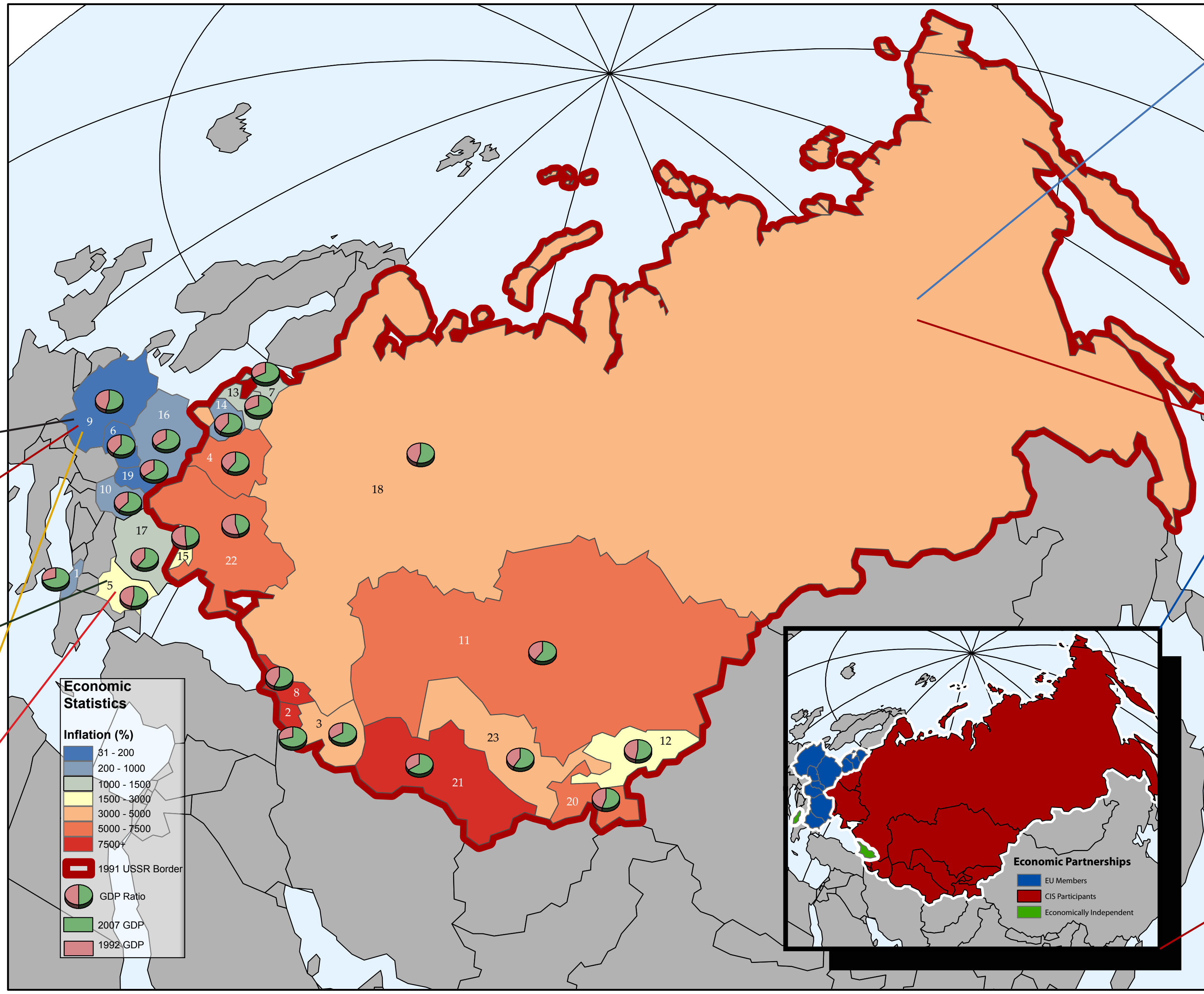
Ukraine and Moldova have still not hit the level their GDP was at in 1992 following the end of the Soviet Union. Russia itself did not enjoy a full turn around until 2004, more than a decade after its introduction to capitalism and democracy. With the recent struggles of the EU, it will be interesting to see what sort of path these nations may follow to achieve a higher level of economic success.

Germany: The Hybrid

In modern history Germany has almost always been thought of as either an economic or military powerhouse. The lulls in economy almost exclusively follow war-time, and World War II was no exception. The country was split into the free-market West Germany and the Soviet puppet East Germany. West Germany, however, experienced astonishing growth during its time apart and reunification was able to save the stalling East German economy. How well it would have transitioned to a market economy alone remains up for debate, but its neighbors' similar success through "Shock Therapy" leaves one with the impression that Germany would have been successful regardless. Unlike every other country in this study, its inflation rate has not reached a sum of 100% since 1992.

Bulgaria: The Anomoly

While the other former members of the Warsaw Pact were quick to recover from the loss of their Soviet trading partner, Bulgaria was not so fortunate. The other countries from the Warsaw Pact had turned profits by 1994, while Bulgaria would not until 2005. This is largely in part to a poor choice of trading partners: the three biggest of which were the Soviet Union (dissolved), Iraq (soon to be sanctioned), and Yugoslavia (ongoing civil war). Thus Bulgaria has been slow to attain the success of its northern neighbors. Hope abounds however with their inclusion in the European Union. Ever since their acceptance the investment from abroad has increased dramatically.



Russia: A Riddle Wrapped in a Mystery

Russia has done much to earn the loathing of its fellow Eastern Europeans. It has, throughout its history, been an aggressor towards them and within the context of the 20th Century, finally had the manpower to efficiently control the region. They quickly advanced from a backwards agricultural society to an international superpower playing foil to the United States. This fairy tale story was not to last, however, as the economy stagnated in large part due to their exorbitant military spending.

Since the failing of the Soviet Union, Russia has gone through a bit of an identity crisis. They have succumbed to the ways of democracy and capitalism - to an extent - but this has not been very successful until recently. Their GDP was below the Soviet 1992 mark until 2004, and the frustration was obvious. Current president Vladimir Putin has enjoyed an almost "cult of personality" for helping to take Russia out of its economic woes and restore it to a status worthy of jingoism. It remarkably avoided the bulk of the most recent worldwide economic depression, but economists wonder just how stable their situation is, given their fluctuation within the last 20 years.

Currently Russia heads the CIS economic community, which seems to be almost a simulation for its old USSR reign considering how reliant most members are upon it. It is in a much happier place than it was just half a decade ago as it watched its old rivals in Poland, Czech Republic, Slovakia, and Germany all make remarkable turn-arounds. The future currently looks bright, and foreign investments are once again on the rise

The EU and CIS

In the desire for more stable relationships with their neighbors, European nations have caught onto supernationalism with the hopes that it will strengthen economic ties while diluting historic rivalries. Part of the reason for Germany's inclusion into the EU was the ability to somewhat regulate their trade and industry through contract. The EU currently leads the world in GDP, but it is experiencing serious difficulties with some member states (Greece) who threaten to devalue the currency for the entire continent.

The CIS was established in a response for the lack of trading partners some of the post-Soviet nations had. As noted in the Bulgaria subsection, they was a lack of diversification of trade partners. This group is essentially Russia-dominated as it is by far the largest in terms of population, economics, and military.

The Russian dominance has actually contributed to the neutrality of two of the nations listed: Albania, a brief member of the Warsaw Pact, and Georgia, a former member of the Soviet Union and CIS. Albania would actually like to join the EU, but has not yet been given the opportunity as it is still one of the poorer nations within Europe. Georgia was basically invaded by Russia and would like nothing more than to be as distant as possible from their grasp. It therefore looks unlikely that Georgia will join any ecobnoomic grouop in the foreseeable future since its economic growth has been slower than even Albania's

Appendix and Further Economic Statitistics

Loca-tion	Country Name	Flag	Direct Foreign Investment (Millions $US)	% Change in GDP since '92	Year in which '92 GDP was eclipsed
1	Albania		2,264	146.5	1993
2	Armenia		2,448	151.4	1996
3	Azerbaijan		6,598	103.3	2004
4	Belarus		4,500	56.1	2001
5	Bulgaria		36,508	15.9	2005
6	Czech Rep.		101,074	55.9	1993
7	Estonia		16,594	111.5	1996
8	Georgia		5,259	34.5	2003
9	Germany		629,711	21	1994
10	Hungary		97,397	68	1994
11	Kazakhstan		43,381	57.2	2002
12	Kyrgyzstan		N/A	14.6	2004
13	Latvia		10,493	121.6	1997
14	Lithuania		14,679	57.1	2001
15	Moldova		1,813	-8.1	-
16	Poland		142,110	90.7	1993
17	Romania		60,921	55.7	1993
18	Russian Fed.		324,065	25.1	2004
19	Slovakia		40,702	86.6	1994
20	Tajikistan		1,046	25.5	2004
21	Turkmenistan		3,928	99.4	2001
22	Ukraine		38,059	-23.5	-
23	Uzbekistan		1,648	48.2	1999

1989 Berlin Wall Falls; Velvet Revolution

1990 Armenia, Estonia, Georgia, Latvia, Lithuania, Moldova declare sovereignty

1991 Soviet Union is no more, Warsaw Pact dissolves, CIS economic group founded

1992 Widespread economic losses and rampant inflation in most former Soviet states

1993 European Union Founded

1994 Bulgaria is the only former Warsaw Pact member with an economy below its 1992 level

1996-7 Armenia, Estonia, and Latvia become the first former Soviet states to increase GDP beyond 1992 level

1999 - The EU institutes the Euro; Germany is the only member with any communist history

2002 - A decade after the end of the USSR, 7 former members still haven't eclipsed their 1992 GDP, including Russia

2004 - Czech Republic, Slovakia, Poland, Hungary, and the formerly Soviet Baltic States join the EU; Russia sees its economy grow over 92 level

2007 - Bulgaria and Romania become the last long-term Warsaw Pact members to join the EU; Moldova and Ukraine are the only countries yet to have recovered from '92

Projection: Orthographic
Longitude_Of_Center: 72.5°E
Latitude_Of_Center: 42.5°N

References:
imf.org
mapshaper.com
cia.gov