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FOREIGN DIRECT INVESTMENT, INDUSTRIAL RESTRUCTURING AND LOCAL LABOUR MARKETS IN THE TRANSITION ECONOMIES OF CENTRAL AND EASTERN EUROPE: ISSUES FOR DEBATE

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Foreign Direct Investment, Industrial Restructuring and Local Labour Markets in the Transition Economies of Central and Eastern Europe: Issues for Debate

1. The FDI record: Achievements and Failures

The ECE transition economies began to open up to FDI only around 1990, but since then several have become successful competitors for worldwide foreign investment. The total volume of inflows has been very unevenly distributed, however (see table). The countries in Central Europe and the Baltic States being close to the Western markets have received much more FDI per capita than South-Eastern Europe and the CIS countries. Within each country, FDI has been highly concentrated in and around the capitals and a few other locations. The rural areas and depressed old industry regions have largely been excluded from foreign investment. The selective location of foreign capital has exacerbated existing regional disparities.

Where FDI penetration has been high**,** e.g. in the Czech Republic, Estonia and Hungary, it has had a measurable positive impact on output, productivity and exports. This can be attributed to the good economic performance of the foreign investment enterprises (FIEs), particularly with regard to profitability, labour productivity and manufacturing exports. The transnational companies brought in their frontier technology, management techniques and skills. The host countries benefited also, at least temporarily, from revenues of FDI based privatization. Foreign exchange earnings helped to improve the balance of payments and reduce fiscal deficits. On the other hand, the benefits of FDI have sometimes fallen short of expectations, including in its failure to significantly increase employment in the recipient countries. This can be explained by the fact that the positive economic effects associated with FDI may be limited. Firstly, with few exceptions they failed to produce significant spillover effects on the domestic economy in terms of productivity growth, the advancement of technology, organization and management practices, competitiveness, and the creation of forward and backward linkages between FIEs and domestic firms. To a large extent, FIEs remained local economic enclaves. They became nodes more in international than in domestic production networks. In some cases they have even crowded out domestic producers. So, rather than leveling performance FDI has tended to fuel dualism in the economic structure. Secondly, FDI led only in part to the creation of new (greenfield) production sites. Often it was used for the acquisition of shares of privatized domestic companies. This produced no positive effects on economic growth and employment, or indirect effects insofar as it helped to reduce the under-capitalization and technological backwardness of domestic enterprises. Thirdly, the absence of a pervasively positive impact on employment can be explained by the large margin of productivity improvement in the FIEs resulting from the introduction of labour saving technology, the elimination of slack in staff utilisation and the downsizing of staff in acquired companies. While all this may have enhanced international competitiveness, it constrained job creation.

The ambiguous economic and social outcome of FDI is not unique to transition countries. Other regions have shared this experience. Nonetheless, there are significant variations in the degree and kind of net benefits. They depend on the type of FDI, the strategy and practices by the investors, and the objectives and policy regimes of the host countries. For some countries, the benefits accruing from FDI have also improved over time as local authorities and other actors have learned to manage FDI inflows in ways that permitted to reap the positive effects of foreign capital.

2. *What is to be achieved by FDI ?*

FDI should not be seen as an objective by itself but instead as a means to promoting the achievement of national development goals. For example, FDI can be instrumental for the attainment of higher rates of economic growth, higher real wages, higher rates of employment, the reduction of unemployment, underemployment and poverty, redressing social exclusion and regional inequalities, the promotion of gender equality, higher job quality, and environmental sustainability of development.

Higher job quality is quickly gaining prominence as a development goal. This is reflected in the ILO's agenda of "decent work for all", and in the policy objectives of the European Union and other regional organizations. It has been recognized that *more jobs* and *better jobs* are not necessarily conflicting goals, but mutually reinforcing objectives.

The ten countries in the region that are candidates for accession to the European Union are in a special situation because they face a host of requirements that are put up as conditions for membership in the EU (*acquis communautaire*), or that have become policy targets of the Union. In the economic and social policy field, the latter include the search for high-tech based competitiveness, and the objective of attaining an aggregate employment rate of 70 per cent of the labour force, and a rate of 60 per cent for women, by 2010. The candidate countries become also subject to employment guidelines as part of the European employment strategy, including employability, entrepreneurship, adaptability and equal opportunities in the labour market. Other objectives concern standards of occupational health and safety and worker participation in enterprises. The EU strategy includes also an optimal combination of economic, financial, employment and social policies.

3. *A Policy Setting for Increasing the Economic and Social Dividends from FDI*

There is increasing consensus that the effects of FDI inflows on domestic development depend crucially on a propitious *local policy environment*. It is a decisive parameter for attracting and retaining foreign investments. At the same time it affects the capability of local subcontractors and suppliers to foreign investment enterprises to meet the demands for quality and timely delivery of local inputs. To make full use of FDI requires supportive domestic public and private policies, and the resulting economic, social and institutional infrastructure in the host country.

A domestic policy setting which is to harness the development potential of FDI should include well functioning financial markets, product markets and labour markets. Good market performance is not automatically the result of market liberalization and privatization. Instead, an "enabling" market setting demands an appropriate kind and degree of regulation, institutions, effective law enforcement, and public and private services, including banking and financial services, producer and commercial services (including transport and communication) and labour market services.

4. *An Invaluable Ingredient to FDI Performance: A Functioning Local Labour Market*

The labour market and the system of social welfare arrangements have increasingly become the focus of an enabling local policy regime, both for domestically and foreign induced development. It has been recognized that "human capital" and "social capital", more than natural resources, determine nowadays a country's level of growth and prosperity. In high performance countries, the ratio of investments into physical capital and investment into human capital (including health, education and vocational skills) has clearly shifted in favour of the latter. Also, social security, social cohesion and social peace have been identified as first-rate ingredients to productivity enhancement and balanced and sustainable development.

One reason that labour market and social policies are so critical for national action in transition countries and elsewhere, is simply that they can be influenced by the government, both national and sub-national, and the social partners, within relatively short periods of time, whereas other determinants of national welfare, such as demographic factors and financial resources, are relatively fixed in the short-run. Contrary to widely held views, governments have not lost all their national autonomy in the social policy area because of globalisation. Moreover, for the transition countries preparing themselves for EU membership, there remains room for national discretion to fashion the local labour markets within the European employment guidelines.

A functioning labour market, especially in an open economy, has to simultaneously achieve flexibility for adjustment and security for the work force. The two are interactive and mutually dependent. Flexibility is imperative for the capacity to respond rapidly to quantitative and qualitative changes in the demand for labour and for making adjustments in the level and composition of skills and competences. Worker security is essential for eliciting productive forces and for securing the cooperation of workers in change. Empirical research suggests that feelings of job insecurity among workers run high in the CEE countries. They tend to harm productivity because insecure workers will not easily cooperate with co-workers or management, and they will be inclined to resist changes in work organization and product and process innovation. Unless the need for social protection against job and income losses is met, the openness of the economy will not produce its full scope of benefits, and it may not be sustainable. In a way, social protection is the positive alternative to “protectionism”, i.e. product market protection through tariffs, quotas and other non-tariff import restrictions that constrain the gains from international economic integration.

Even though the level of employment ultimately depends on aggregate demand for labour, and hence on macro-economic policies, labour market policies have an important role to play to achieve full employment. They are the key instruments for matching supply and demand, thereby preventing bottlenecks that could give rise to inflationary pressures. Smooth labour market adjustment can enlarge the scope for macro-policy geared to raising the level of economic growth and employment, e.g. by keeping interest rates low. In turn, higher rates of growth and employment will boost the disposable financial means for pursuing active and passive labour market policies.

5. *What Labour Market Policies are Recommendable ?*

Education and Vocational Training

The comparatively high standards of general education and vocational skills in the transition countries of CEE can be seen as the greatest international competitive advantage, both for domestic development and also for foreign investment. Unfortunately, the educational and skills base has suffered due to disinvestments, especially in the early years of transition. Questionable advice has been provided to give precedence to general education at the expense of vocational training. Efforts should be made to restore, and to widen, the national base of educational attainment and the endowment of the labour force with labour market skills. Particular efforts ought to be directed to extending and upgrading the level of skills in the commercial and ICT sectors, and also to end the (permanent) outmigration of workers with ICT and other high-tech related vocational skills from the region.

Action should be taken to stop, and if possible reverse, the prevailing trend of poverty-induced insufficient school attendance, particularly in CIS countries, and of increasing social stratification of education resulting from competition between public and newly created private schools. The inability of the low income groups to afford fees and other expenditure for schooling risks to reduce their employability and to underutilize part of the national labour force.

Vocational re-training and further training is often concentrated on the younger half of the labour force and to the better educated and skilled workers. To prevent permanent segmentation in the labour market, efforts have to be made to provide broader access to skills training and to enable workers to engage in life-long learning. Special programmes for older workers to acquire modern ICT skills may help to forestall an age-based digital divide in the labour force.

FIEs should be encouraged, and possibly induced through fiscal incentives, to pro-actively contribute to the maintenance and enhancement of the local stock of labour market skills. For meeting the staff requirements in their local subsidiaries, FIEs should not merely cream off skills from the local labour market, but should make efforts of their own to train workers in order to widen the local skill base and to facilitate local sourcing and subcontracting.

Flexibility and Security

There are various ways and means to achieve both flexibility and security in the labour market. One can opt for adjustment to varying levels of labour demand and changes in skill requirements by permitting legally unrestrained and costless hiring and firing of staff (= so-called numerical flexibility). Alternatively, it may be attempted to gain a capacity for enterprise internal adjustment through measures such as internal re-deployment, changes in work organization and job structure, and new products and processes (= so-called functional flexibility). Correspondingly, worker security in the labour market may be accomplished by protecting the existing job or employment relationship. The standard measures are fair dismissal rules, notification to be given to the worker and the public employment administration, and severance pay for indemnifying job and income losses. Or it may be achieved through measures to facilitate the transition of workers to new jobs. This can be promoted by passive and active labour market policies, including unemployment compensation, public employment services, retraining and further training, public job creation schemes and unemployment benefits. Unemployment benefits do not merely provide income replacement for the jobless, but permit workers to search for the optimal job. National labour market policy must attempt to find the best mix of numerical and functional flexibility and the best combination of employment protection, income protection and active labour market policy in support of intra- and inter-firm mobility.

To some extent, the optimal combinations will have to be country specific. For example, in part of the region, particularly in the ex-Yugoslav countries where employment protection is based on high severance pay, this may pose an obstacle to hiring. A shift from such a regime to income protection to lower the barriers for hiring and to ease transition to new employers may be advisable. Russia and other CIS countries face a problem with high non-wage labour costs resulting from enterprise funding of services for workers and the local community (such as housing, electricity, recreation) and also the widespread practice of keeping redundant workers on the payroll of firms. In this situation, a systemic shift to tax-financed services and social security and the promotion of inter-firm transfer of workers could increase both flexibility and the international competitiveness of firms. Relieving enterprises from the heavy burden of non-wage labour costs may enhance the chance for paying higher wages, and end the practice of delayed wage payment.

The relative merits of schemes of employment protection and income protection vary also with the type of the enterprise. In large enterprises with extensive internal labour markets, employment protection makes good sense because there is large scope for firm internal adjustment. In contrast, in the small firm sector the main source of flexibility and security will to be worker mobility between firms, occupations and economic sectors that is easy and without major transaction costs.

Wages and Wage Policy

The level and structure of wages and total labour costs is of great significance for the further development of transition countries. Simplistic recipes are to be avoided. The comparatively low level of wages, even for relatively qualified labour, has been a major reason for the CEE countries to attract FDI from high wage countries. For example, the ratio of nominal wages of production workers in manufacturing between the Czech Republic (which after Slovenia pays the highest average wages in the region) and Germany amounted to 1 to 6 in 2000. Average labour costs in the accession countries for the last years of the 1990s are on average less than 10 percent of Germany, with a range of 4 to 22 percent in 1998. While in the near future, a low wage level may still be opportune for job creation, a low wage strategy may not be the best option for the medium and longer term, because it may depress consumption power and domestic demand, and it may also forestall or undermine incentives for industrial upgrading. So, a case can be made for raising real wages commensurate with productivity growth, in order to stimulate domestic demand and investment, and to raise the level of income. Admittedly, tying wage growth to productivity gains is easier to do in countries with large domestic markets than in small open economies that are more sensitive to external pressures and subject to corrective exchange rate devaluations.

Another point to be considered concerns the prevailing large wage disparities among the transition countries, and between the transition countries and the EU countries. They tend to create incentives for dysfunctional labour migration with the effect of loss of skills that can harm the chances for endogenous development.

One of the important instruments in wage policy is the minimum wage, set either by statute or by collective agreement. Its general function is to ensure a wage level that is sufficient to make a decent living, and also to set a wage floor which the employer must not undercut. This can create a positive incentive for the firm to achieve a level of productivity commensurate to allow the firm to cover the minimum pay, and to seek competitive advantages not in low pay and downward wage adjustment, but instead in better products processes and new markets. Economists refer to “dynamic efficiency”, as compared to the “static efficiency” of unrestricted wage flexibility.

In many transition countries, especially in the CIS countries, minimum wages have been set very low, even below subsistence levels. There are good reasons to raise the minimum wages to allow it to bring to bear its income security function, but also its function as an incentive for productivity enhancement and innovation.

Promoting Collective Bargaining and Tripartite Social Dialogue

Productivity improvement and product and process innovation are fostered by cooperative industrial relations. Social capital based on relationships of trust between the main stakeholders in the labour market becomes an increasingly valued resource. Evidently, sound industrial relations between employers and workers and their organisations, and tripartite social dialogue involving the government and the social partners are an essential input to better FDI performance. Depicting trade unions as hobblers to FDI and as obstacles to industrial restructuring (see e.g. The Economist, March 23, 2002) is of little help. Strong and socially and politically accepted trade unions can be instrumental for implementing industrial change and managing social risks. Trade unions need not be seen as causing problems for restructuring and modernization, but can be viewed as part of the solution of employment and social problems. Countries like Denmark and Finland, with the highest rates of unionisation, and an effective social dialogue facilitated by it, have shown world-class economic performance in virtually every respect. Trade unions are an essential partner to the conclusion of national social compacts, which have led to major employment success in countries such as Austria, Ireland, Netherlands and the Nordic countries.

Collective bargaining and tripartite dialogue can facilitate to attain macro-economic stability. More than decentralized bargaining, co-ordinated sectoral and regional bargaining structures have proved to be an effective means for attaining both equitable wage structures and wage restraint in order to achieve non-inflationary growth and low unemployment. There have been cases of tripartite reconciliation of interests in transition countries. They should be enhanced and extended to all countries of the region.

Improvements in Labour Statistics

Any effective labour market policy, both passive and active, requires accurate and reliable information on stocks and flows in the labour market. It helps to target public and private measures in more precise ways, to channel resources to areas of real need, and to monitor the success of the measures. In a number of transition countries, notably in the CIS countries, registered employment does not account for all employment, and unemployment and underemployment tend to be underestimated by the statistical indicators. Substantial hidden joblessness, multiple job holding and informal sector employment are not, or not fully, covered in the official statistics. The vast non-payment or delayed payment of wages in part of the region may be seen as a form of unaccounted under-employment. Extending the system of labour market statistics to ascertain the nature and volume of labour flows and job quality will enrich the labour market information system, and permit to assess the employment effects of FDI. ILO's system of key labour market indicators may serve as a guide to enhance the system.

6. Good Labour Market Performance: A Prerequisite for Industrial Upgrading

FDI has led CEE countries to become part of international, and partly global commodity chains under the control of mainly Western transnational enterprises. Local development depends very much on where in the production channels the FDI-initiated activities in transition countries are positioned: Whether they are confined to low-cost, low value adding production, or whether they encompass high value adding and high income generating stages of production; whether or not they engender local linkages, upstream and downstream from production; whether the locally produced goods are for export or for local consumption; and what are the prospects for industrial upgrading through FDI? All of these factor matter for development because they put firms and economies on more or less dynamic learning curves, and determine the degrees of local economic autonomy and dependency. FDI should contribute to industrial upgrading. It implies that initial low value adding production, e.g. export processing through the assembly of (imported) parts and components, emerges in more advanced modes of international integration, such as local subcontracting for the manufacture of parts and components, the supply of full packages instead of single items, and the move from mass production to higher quality goods and customised goods. In a wider sense, upgrading involves the absorption of strategically important, high value adding activities upstream from production, such as research, product design, product development and testing, and also the local provision of equipment and tools (capital goods), and stages downstream from production, such as marketing and distribution. In other words, moving from knowledge-using to knowledge-producing activities, and from having a small to occupying a large share of the value adding process.

The labour market policies recommended above would clearly improve the chances in the transition countries to foster linkages between foreign and domestic enterprises and they would also enlarge the capacity for industrial upgrading.

6. ***Enhancing Governance***

Who is to take responsibility for increasing the economic and social dividends from FDI? Joint efforts are called for by the foreign investors, especially the TNCs, and domestic actors, most of all the national and sub-national governments.

Being in command of cutting-edge technology, financial and human resources, and organisational know-how, the TNCs have a pivotal role to play as responsible agents in the globalisation process. They have to assume responsibility above and beyond the immediate realm of interest of their enterprise, and commit themselves to contributing to development of the larger community. In the area of employment and social policies, there is ample international guidance available for TNCs that wish to act in compliance with international development goals and international labour standards. Next to the 1998 ILO Declaration on Fundamental Principles and Rights of Work and other ILO conventions, there are two international instruments specifically designed to guide the conduct of TNCs at home and in their foreign operations. These are the 1976 ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the 1997 OECD Guideline on Employment and Industrial Relations. Furthermore, TNCs should also make commitments to redress growing inequalities. In particular, they should aim locating their investments to achieve greater regional balance across and within transition countries, and to accomplish gender equity in employment and occupation and the integration of ethnic minorities and disadvantaged groups into the labour market.

Combating social exclusion and the marginalisation of regions, and furthermore, acting in accordance with international agreements is, of course, also the obligation of the government, national and sub-national, in the FDI recipient countries. International research has shown that contrary to views of the economic orthodoxy the compliance with international labour standard is not only not harmful to industrial restructuring and economic improvement, but it can produce major economic, social and political benefits. Countries with the highest labour standards show the worldwide best economic performance.

Good governance today refers not merely to government but to contributions from stakeholders of civil society, notably industrial associations, organisations of workers and employers, NGOs, etc. Superior results have been achieved where voluntary, bottom-up organisations have actively participated in local development, where public-private partnerships have been formed, and where the government has shifted its function from the conventional taking direct control to one of becoming a co-ordinator and facilitator of negotiations to reconcile diverse national and local interests.

A final important issue of governance relates to fashioning of international competition. FDI would prove to be destructive, if rival countries or local areas would out-compete each other by offering TNCs the lowest wages, the least social protection, the lowest taxes and the highest subsidies. This would entail a perverse strategy of “competitive devaluation”. While according to a recent OECD study, there is no evidence of “global bidding wars” among governments, there still is a permanent danger of such wars. Lowering social or other standards to attract foreign investment does not depend on investors being truly attracted by lower standards. Perception, true or false, will suffice. Cooperation and coordination between transition countries is essential to resolve national policy dilemmas. Granting tax concessions or tax exemptions in order to attract more foreign capital will diminish public revenues and limit the scope for the creation of a good physical and social infrastructure. This may turn out counter-productive because surveys show that many foreign investors value such infrastructure more than low labour costs. In addition, a viable local infrastructure is important for the development of domestic enterprises. Instead of opting for “low road”, destructive competition, countries and regions may agree on the “high road” of common minimum terms for investors, such as taxation rules and social and environmental standards, to encourage and foster a constructive path of development.

7. FDI May not Suffice to Achieve Full Employment

While FDI flows to the transition countries has helped to create pockets of new employment, it has not so far decisively boosted overall national employment levels. Even if inward investment could be expanded it is unlikely that alone it will not allow the CEE countries to attain full employment. One of the reasons is the as yet comparatively low employment intensity of economic growth, which however can be expected to rise once the slack in the labour market is diminished. Another reason is that FDI has hardly penetrated the sector of small and micro enterprises, which today are virtually everywhere the main source of net job creation.

The formation of a viable sector of small enterprise is indispensable for improved employment performance in the CEE countries. International experience on successful SME development is available (e.g. from Northern Italy), based on local clustering and inter-enterprise cooperation. Small firm networks can be organised either by collective organisations of the SMEs, local authorities, or by large companies, including TNCs.

TABLE

Foreign direct investment [a] in eastern Europe, the Baltic states and the CIS, 1990-2001
(Million dollars, per cent)

	Million dollars							*FDI/GDP, nominal (per cent)*					
	1990-1992	*1993-1996*	*1997-1999*	*1998*	*1999*	*2000*	*2001*	*1990-1992*	*1993-1996*	*1997-1999*	*1999*	*2000*	*2001*
Eastern Europe	5 936	25 125	44 843	15 691	18 950	20 824	20 241	0.9	2.1	3.9	4.9	5.5	4.8
Albania	20	271	134	45	41	143	180*	0.6	3.3	1.5	1.1	3.8	4.3
Bosnia and Herzegovina	..	..	190	100	90	150	130	..	..	1.5	2.0	3.6	2.7
Bulgaria	101	345	1 861	537	819	1 002	651	0.3	0.8	5.3	6.6	8.4	5.0
Croatia	16	862	2 944	932	1 479	1 115	1 428	–	1.3	4.8	7.4	5.9	7.0
Czech Republic	1 649	5 513	11 342	3 718	6 324	4 986	4 916	1.8	3.0	6.9	11.6	9.8	8.7
Hungary [b]	3 241	10 214	6 179	2 036	1 970	1 649	2 443	3.1	6.0	4.4	4.1	3.6	4.7
Poland (cash basis)	411	5 022	14 677	5 129	6 471	8 294	6 929	0.2	1.1	3.2	4.2	5.3	3.9
Romania	117	1 117	4 287	2 031	1 041	1 040	1 137	0.1	0.9	3.8	3.0	2.8	2.9
Slovakia	200	1 125	1 294	684	390	2 075	1 475	0.5	1.8	2.1	2.0	10.8	7.4
Slovenia	180	612	804	248	181	176	442	0.4	0.9	1.4	0.9	1.0	2.4
The former Yugoslav Republic of Macedonia	–	44	165	118	32	170	420*	–	0.3	1.5	0.9	4.7	12.1
Yugoslavia	..	..	965	113	112	25	90	..	..	2.4	1.1	0.3	0.9
Baltic states	..	1 836	4 144	1 863	1 139	1 173	1 184	..	3.8	6.4	5.1	5.0	4.8
Estonia	..	729	1 152	581	305	387	538	..	6.1	7.7	5.9	7.7	9.9
Latvia	..	821	1 225	357	347	408	201	..	5.3	6.7	5.2	5.7	2.7
Lithuania	..	286	1 767	926	486	379	446	..	1.4	5.7	4.6	3.3	3.7
CIS	..	12 999	22 316	6 726	6 735	5 367	7 013	..	0.8	1.8	2.3	1.5	1.7
Armenia	..	52	395	221	122	104	70*	..	1.2	7.3	6.6	5.4	3.3
Azerbaijan	..	1 039	2 658	1 023	510	129	20*	..	12.1	20.4	11.1	2.4	0.3
Belarus	..	115	793	149	444	116	100*	..	0.3	2.2	4.0	1.1	0.8
Georgia	..	54	551	265	82	131	120*	..	0.6	5.5	2.9	4.3	3.8
Kazakhstan	..	2 964	3 941	1 151	1 468	1 245	2 600*	..	5.6	5.6	8.7	6.8	11.6
Kyrgyzstan	..	191	237	109	44	-2	20*	..	3.8	5.2	3.6	-0.2	1.3
Republic of Moldova	..	116	190	74	37	138	150*	..	2.1	4.0	3.1	10.7	10.2
Russian Federation	1 554	6 546	10 936	2 762	3 309	2 714	2 540	0.7	0.5	1.2	1.7	1.0	0.8
Tajikistan	..	66	75	24	21	22	20*	..	2.0	2.3	1.9	2.2	1.9
Turkmenistan	11	523	252	64	80	100*	100*	0.2	2.8	2.7	2.1	2.3	1.7
Ukraine	..	1 145	1 862	743	496	595	792	..	0.8	1.5	1.6	1.9	2.1
Uzbekistan	..	187	428	140	121	75	100*	..	0.5	0.9	0.7	0.6	0.8
Total above	..	39 960	71 304	24 280	26 824	27 364	28 058	..	1.4	2.9	3.9	3.6	3.3
Memorandum items:													
CETE-5	5 682	22 486	34 297	11 815	15 336	17 180	16 205	1.1	2.4	3.9	5.2	5.9	5.0
SETE-7	254	2 639	10 546	3 876	3 614	3 644	4 036	0.1	1.0	3.7	4.0	4.2	4.7
Asian CIS	..	5 076	8 536	2 998	2 449	1 804	3 050	..	3.7	5.2	5.0	3.7	5.7
3 European CIS [c]	..	1 376	2 845	966	977	848	1 042	..	0.7	1.7	2.2	2.0	2.0
Poland (accrual basis)	1 058	11 747	18 543	6 365	7 270	9 342	..	0.5	2.6	4.1	4.7	5.9	..

Source: UNECE secretariat, based on national balance of payments statistics; IMF, *Staff Country Reports* (Washington, D.C.), for Bosnia and Herzegovina, Yugoslavia, Tajikistan and Uzbekistan [www.imf.org]; TACIS, *Azerbaijan Economic Trends* (Baku) for Azerbaijan [www.economic-trends.org].

Note: Due to the availability of new data, some of the figures in this table differ from those in table 3.5.13 of the *Economic Survey of Europe* 2002, No. 1. IMF estimates and projections are used for Tajikistan in 2000 and 2001. IMF projections are used for Bosnia and Herzegovina and Yugoslavia in 2001. Secretariat estimates for 2001 are generally based on three quarters of balance of payments data for 2001 and fourth quarter changes in 2000. Changes in coverage are available in UNECE, *Economic Survey of Europe*, *2001 No. 1*, box 5.3.1.

a Inflows into the reporting countries.

b Excludes reinvested profits.

c Belarus, Republic of Moldova and Ukraine.