A decade after starting their transition to market economies, the CIS countries have achieved impressive economic growth but need to implement further structural reforms to strengthen the investment climate.

Economic growth has picked up, but real GDP levels have lagged behind other regions.

Cautious macroeconomic policies have led to a decline in consumer price inflation.

Most CIS countries have become more open, although some maintain high trade barriers.

Trade, especially exports, has shifted to non-CIS destinations, such as the European Union.

Financial intermediation has increased but remains low by international standards.

The investment climate remains weak, as reflected in the low levels of foreign direct investment.

Lower government budget deficits have helped stabilize the CIS economies.

Sources: IMF, Direction of Trade Statistics, Former Soviet Union database, Trade Restrictiveness database, World Economic Outlook database, and staff estimates; European Bank for Reconstruction and Development, 2002 Transition Report; and national authorities.

1CIS countries are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

2Excludes China and India.

3Excludes Turkmenistan.

4Scale is 1 to 10, with 10 being most restrictive.

5Includes foreign currency deposits.

6Central and Eastern Europe and the Baltics.