

Global Economic Prospects 2005

Eastern Europe & Central Asia

Regional Highlights

Regional Trade Perspectives

- Regional trade arrangements helped Eastern Europe grow, but have not been as successful in the Commonwealth of Independent States (CIS) countries. With EU assistance, and with the aspiration of both EU and WTO membership, Eastern European countries have moved swiftly toward integration. The CIS has been burdened with incomplete reforms and a poor investment climate that have weighed down the sub-region's performance. The plethora of trading arrangements have been implemented only partially and fallen short of realizing trade potential.
- With their eyes turned toward markets in the EU, the Central European and Baltic countries have achieved more extensive integration and higher trade and FDI flows, evident in the rapid export growth of the region as a whole. It remains to be seen whether the recent accession of Central and Eastern European countries to the EU will result in substantial migration.
- The CIS has moved more slowly than Central European and Baltic countries in its process of reform and reorientation, particularly in Central Asia and the Caucasus. Under the CIS-7 initiative, trade regimes have been generally liberalized, but have been limited by regional trade and transit barriers.

Regional Economic Prospects

- Real GDP in Europe and Central Asia is expected to increase by seven percent in 2004, up from 5.9 percent in 2003, and outstripping the 2000 peak of 6.7 percent.
- Regional growth is forecast to moderate over the near-term, with output rising by 5.6 and 5 percent in 2005 and 2006, respectively.
- Industrial production for the region is up an estimated 8.4 percent for the region as a whole, and its exports grew almost 35 percent faster than world trade.
- In the next ten years, Eastern European and Central Asian growth is forecasted to average 3.5 percent.
- Domestic consumption and investment in Russia and other CIS oil exporters were boosted by a surge in oil revenues, while the accession of several of the region's countries to the EU provided a further boost to investment demand and FDI.