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The Reasons of the Collapse of the Ruble Zone

by

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1. Introduction[1]

The existence and collapse of the common ruble area on the territory of the former Soviet Union (FSU) in 1992-1993, i.e. already after the dissolution of the Soviet state, raised a lot of discussions and controversies among the politicians and experts both inside and outside FSU. In the very beginning of the post-Soviet economic transition quite a lot of people and institutions (including the International Monetary Fund) believed in the possibility to maintain the common currency working for all or at least for part of FSU countries.

Political considerations were one reason for this advocacy. They dominated among certain Russian politicians dreaming about rebuilding in some way the former empire or at least keeping the special relations with former Soviet republics. The notion of the "near abroad" (*blizhnee zarubezhie*) reflects this philosophy in the best way. However, also many leading politicians in FSU countries supported for quite long the idea of the common ruble area for various economic and political reasons. Economic support for the common ruble area came from the wish not to disrupt the strong trade interrelations between the former Soviet republics. At that time the recent experience with the collapse of CMEA payment area, in the beginning of 1991, made many Western experts reluctant to any radical changes in the trade and payment mechanism on the territory of the FSU. Another argument seemed to come from a more general believe in the value of regional economic integration. While Western Europe attempts to strengthen its economic and political integration, including the establishment of a monetary union with a common

[1] Section 4-6 of this paper are based on my and Rafał Antczak's earlier papers [see - Dąbrowski, 1995; Dąbrowski and Antczak, 1994). I based the historical part (sections 3 and 4) on a series of interviews with a group of Russian economists being actively involved in the transition process. I received the most important information, from the former Acting Prime Minister Egor Gaidar, former Deputy Prime Minister and twice Minister of Finance Boris Fedorov, former deputies governors of CBRF Dmitrii Tulin and Sergei Ignatiev, former Adviser to Prime Minister Andrei Illarionov and former Member of the Congress of the People's Deputies Mikhail Dmitrev. I am also very grateful to Alan Gelb and Lucjan Orlowski for the very helpful comments to the earlier draft. Of course, I am solely responsible for the content and quality of this paper.

currency unit in the coming decade, one can observe the opposite process in the Eastern, post-communist part of our continent[2]. Apart from FSU, the monetary disintegration also happened in the former Yugoslavia and Czecho-Slovakia.

Looking retrospectively, attempts to maintain the common ruble area seem to be very naive. Apart from all purely economic arguments about possible advantages of keeping the common currency area (which are also not obvious in the case of FSU) they missed completely the political realities. The latter were the following: strong political consensus in respect to monetary and fiscal targets, the common institution in charge of implementing these targets, and some minimum of common legislation (concerning the banking and foreign exchange regulations) are absolutely necessary conditions to have a common currency. These conditions were not present after dissolution of USSR. Moreover, they were not present already in 1991 or even in the end of 1990 when the process of monetary disintegration really started.

Nevertheless, the former Soviet currency - the ruble - was inherited in the first stage of independence by all post-Soviet states. This was true for both the nations that became members of the CIS in December 1991 and those which chose the path of full political separation (i.e. the Baltic states). However, strong disintegration factors began to influence the functioning of the monetary system, leading to the partial collapse of the monetary union in mid 1992 and the final collapse in the second half of 1993. All political attempts inside the CIS to rebuild, at least partly, the ruble zone, including the treaty on monetary union between Russia and Belarus failed because of the absence of the above mentioned political and institutional preconditions for the existence of a common currency.

This paper has mainly a historical character and analyzes the causes of the monetary disintegration of the FSU, stages of this disintegration, and macroeconomic consequences of this process. The second section is devoted to a brief discussion of the economic and political condition of the successful existence of the common currency area. In section 3,

[2] It was the case of the author of this paper who also at the end of 1991 supported the continuation of the common ruble zone [see - Dąbrowski, 1991] and now sees it as mistake.

I describe the process of monetary disintegration that already started at the end of 1990 when the Soviet Union still existed. Section 4 illustrates the process of monetary disintegration in 1992-1993, after the dissolution of USSR. Section 5 presents a picture about the most important initiative to rebuild the ruble area in 1992-1994. Finally, section 6 contains the discussion on macroeconomic and other consequences of continuing the common currency despite the political disintegration.

2. The basic economic and political preconditions of the common currency

The rationality of a common currency for a specific territory can be discussed from both an economic and political point of view. In each case two questions need to be answered: (1) What is the economic justification for the specific territory unit to have a common currency?, and (2) Can this territory have common monetary and fiscal policy and a common monetary institution?

The very detailed analysis of these two problems in relation to the former USSR is far beyond the planned limits of this paper. However, even a very brief look into the former Soviet economy gives the negative answers.

The economic question can be discussed on the basis of optimal currency area theory, first proposed by Mundell [1961] and developed by McKinnon [1963]. Both authors made de facto equation between the territory with a single currency and territory with many currencies but convertible one to other at the fixed exchange rate. Ronald McKinnon [1963, p.717] even wrote that "*...a fixed exchange rate system with guaranteed convertibility of currencies is almost the same thing as a single currency regime*". However, both authors missed the problem of transaction costs which still exist under fixed exchange rates (even permanently fixed) and do not exist under single currency regime.

The problem of the optimal currency area occurs when the specific territory (let say A) becomes subject of the supply or demand shock vis a vis other territory (B) changing their bilateral terms of trade. The most simple way to adjust to the shock is to change the exchange rate between A and B currencies. However, it is possible only if they have separate currencies with flexible exchange rate. If not (because both are, for example, the regions of the same country) two other forms of adjustment remain: (i) moving of labor and capital, or (ii) fiscal transfers.

First form of adjustment needs a high factor mobility between shock affected territories {see - e.g. Orlowski, 1994] what is, for example, the case of United States. However, a free mobility of goods, labor and capital never existed in the former Soviet economy because the allocation of resources was totally or almost totally a subject of central planning and administrative regulation. Significant reallocation of labor under the Stalin great industrialization program in 1930s and 1940s was purely administrative operation violating the human rights and human dignity. It did not differ from the allocation of slaves. Later, under Khrushchev and Brezhnev moving of labor became a more `human' with using more material and political stimulation but never abandoning completely the administrative measures (such as *propiska* system). It is hardly to expect that after the dissolution of USSR the real free mobility of labor will exist especially when ethnic and cultural factors play a greater role. The same ethnic and cultural factors will also probably limit capital mobility although more depends here on regulatory framework in each newly independent state.

What concerns the second form of adjustment massive inter-regional fiscal transfers are used in many countries such as United States, France, Germany (especially in relation to former GDR) but also among countries being members of the European Union. It was also the case of the former USSR where the differentiated effects of external shock absorption were neutralized by massive fiscal and quasi-fiscal transfers[3] between Soviet republics, mainly from Russia to the non-Russian republics [see - Selm and Dölle, 1993;

[3] The latter takes the form of price subsidies and/or monetary financing.

Orlowski, 1993][4]. This situation was partly continued in 1992 and in the first half of 1993 [see - Dąbrowski and Antczak, 1994]. However, in mid 1993 Russian authorities decided to stop this practice, at least at the previous scale. It brought the real end of the ruble zone (see - section 4).

As we see from above analyzis free factors mobility on the specific territory and its potential exposure to the common external shocks are two basic rational criteria to have a common currency. If shock is asymmetric and factors mobility limited the affected countries have to choices: fiscal redistribution between them or exchange rate adjustment. The first method needs at least a kind of political confederation, a second must be connected with abandoning the common currency.

The strong asymmetric exposure of the former USSR to different kind of shocks is out of discussion. The reasons of it lie in the enormous differentiation of the industrial structure between the former Soviet republics. For example, after the two oil shocks in 1970s, when Soviet authorities decided not to adjust the domestic energy prices to the new world prices, Russia, Turkmenistan and Kazakhstan became the main losers, and other republics started to receive huge indirect subsidies to their substandard manufacturing industries. The situation changed radically when Russia started to adjust the oil and gas prices to the world level which happened in 1992-1993. It is worth to remember that the oil and gas prices adjustment is not the only one structural challenge facing the FSU countries (demilitarization is one of other important issues). It means the FSU countries had and still have to adjust to various asymmetric structural shocks.

The above analyzis becomes a little bit more complicated when we add the problem of transaction costs. Without doubts a common decreases this kind of costs [Selm, 1995]. It is connected not only with cost of exchange operation but also with the exchange risk (if exchange rate is flexible) and additional rigidities if separate currencies are not fully convertible. This last kind of risk was specially actual in the discussed case because in

[4] The similar argumentation can be raised in relation to the Russian Federation today. The capacity to absorb external shocks is very differentiated between regions, factors mobility is very limited and therefore strong fiscal transfers must be maintained.

1992 or 1993 it was not clear that the new post-Soviet currencies will be at least partly convertible[5].

Transaction costs become an important argument in favor of common currency when the share of mutual trade is high [Selm, 1995]. It was probably the main argument in favor of continuing the common ruble zone after the dissolution of USSR in the eyes of many Western experts including IMF[6]. But it was also a crucial interpretation mistake.

A fairly large dependence of some Soviet republics on the inter-republican trade, especially of Belarus and Baltics [see - Selm and Wagener, 1993; Orlowski, 1993] did not mean that trade relations were optimal from the point of view of the real comparative advantages of each republic or region and should be continued for any price. They reflected rather results of arbitrary investment decisions (based on political criteria and considerations) and the bargaining process connected with a command system.

After the dissolution of USSR a significant part of former inter-republican trade collapsed not only because of the creation of some trade barriers between FSU countries and uncertainty about the payment system. It occurred mainly because most of this trade was earlier not rational from the point of view of the microeconomic calculation, especially after the energy prices and transportation tariffs were adjusted to world market levels. The serious decrease of military and investment demand played an additional role here.

The traditional trade relations collapsed not only between the newly independent states (NIS) but also inside them, especially inside Russia. For example, the Moscow or St. Petersburg supplier may no longer be the best trade partner for an enterprise located in Vladivostok because of the large distance and high transportation costs. The latter may

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[5] In the end of 1995 most of the new currencies are *de facto* convertible at least in relation to export-import operations. It happened partly due to demonstration effect of Central European and Baltic countries, partly due to IMF pressure.

[6] With some exceptions. For example, Havrylyshyn and Williamson [1991] belonged to authors who underlined the importance of trade dependence between former USSR republics and the negative consequences of the potential trade disruption. However, their conclusions did not stress the necessity to have the common currency in the future as a condition of successful economic co-operation.

prefer in this situation a Japanese, Chinese or Korean partner. From the discussed point of view one can raise doubts if Russia alone is the optimal currency area? Very weak transportation, communication and legal infrastructure on the largest territory in the world, continuation of residency restrictions (*propiska*), etc., seriously limit interregional factor mobility. The actual separation of Moscow financial market from the regional ones is only one of many examples. However, I am not going to argue in favor of any kind of *balkanization* of Russia. I only want to draw attention to the role of disintegration factors in the former USSR and today's Russia which did not help and do not help political integrity.

We have arrived at the political conditions of the common currency area. If number of independent countries want to have a monetary union they must give up part of their sovereignty - at least in the monetary, fiscal and trade policy spheres, they should agree on the common banking and foreign exchange legislation, remove barriers on goods, labor and capital mobility, they should be ready to accept the inter-state fiscal transfers in case of locally absorbed external shocks.

It is absolutely clear that such political conditions never existed after the dissolution of the USSR. The political sovereignty became an important autonomous value[7] and a lot of mistrust and even suspiciousness existed in relation between non-Russian republics and Russia or between some neighbouring republics (with Armenia and Azerbaijan relations as the most extreme case). The political instability and immaturity of new democratic institutions have not helped to build any long term agreement around the questions seen as elementary preconditions to have a common currency.

What is even more interesting and important, the political condition necessary for the effective monetary union did not exist already in the last years of the USSR, before its formal dissolution.

[7] Havrylyshyn and Williamson [1991, p. 6] quote an opinion of Harry G. Johnson [1968] that "...*nationalist symbols have value to societies, which should be free to trade off a certain amount of economic efficiency for their acquisition* ".

3. The first stage of monetary disintegration - Russia's economic war with the Soviet Union (1990-1991).

The Mikhail Gorbachev *glasnost'* and *perestroika* bring more political freedom and less administrative and police repression in the former Soviet Union at the end of the 1980s. It led, among many other political and economic effects, to the renaissance of independence movements among some nations living in the Soviet empire. The Baltic republics were the leaders in this movement. Here also the first ideas of republican economic autonomy and republican oriented economic reforms were presented. In 1988 the pro-independence Sajudis movement in Lithuania proposed a comprehensive economic reform package oriented, among others, to the greater republican autonomy [Samonis, 1995]. The future republican central bank and republican currency were the integral component of this proposal.

A similar intellectual concept named as the New Economic Mechanism (Estonian acronym IME) was proposed by a group of Estonian economists in 1987 and 1988 [see - Lainela and Sutela, 1995; Dąbrowski, 1989]. Both republics started to build gradually their future central banks not abandoning in the same time the republican branches of the State Bank of USSR (*Gosbank*). However, some conflicts around credit emission between both republics and the central Soviet authorities were observed already in 1989 and 1990. In Latvia the intention to introduce its national currency was announced first time in 1990 only [Lainela and Sutela, 1995]. In the same year Latvia started to build the institution of its central bank.

Although Mikhail Gorbachev and other members of the top Soviet leadership were not ready at that time to accept the independence of the Baltic republics[8] they did not

[8] Very nervous reaction of the top Soviet leadership after the Lithuanian declaration of independence in March 1990 was the best example. Moscow imposed various economic sanctions against Lithuania, including stopping the delivery of oil and oil products.

oppose openly to the idea of stronger republican economic autonomy including separate republican currencies. It probably reflected the lack of understanding of the political implications of such an autonomy and more generally - the lack of idea how to reform the Soviet economy.

As far as striving for greater economic independence concerned only the Baltic republics, it did not present a real threat to the integrity of Soviet monetary and fiscal policies. It looks like a big historical paradox, but the decisive attack against the Soviet economic and political unity came from Russia. In the spring of 1990 the new parliament[9] of the Russian Federation elected Boris Yeltsin as its speaker - at that time also the formal head of the Russian Federation. Yeltsin who was the former member of Politburo of the Central Committee of CPSU and former First Secretary of the Moscow party organization was seen at that time as the main challenger to Mikhail Gorbachev. He gained a support of the Russian democratic movement which wanted to go beyond the limited *perestroika* reforms.

The declaration of sovereignty of the Russian Federation from June 12, 1990 was the first major step towards the disintegration of USSR taken by the new Russian parliament. It was followed by similar declarations of other Soviet republics and sometimes even by the lower level territorial units. Russian declaration of sovereignty contained also some general statement about its own monetary system. The declaration alone did not have a direct and immediate impact on monetary and fiscal policies. However, the logic of political struggle between Russian and Soviet authorities had to lead to more serious consequences sooner or later.

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[9] Mikhail Gorbachev decided to organize in March 1990 democratic elections to republican supreme soviets as well as to council (*soviets*) on the oblast', raion and city levels. The quality of the democratic election procedures varied across republics and regions of USSR but generally 1990 elections gave more independent legislatives on each level of government (a year earlier a partly democratic elections to the Congress of the People Deputies and Supreme Soviet of USSR took place). It was the most decisive impulse to the political emancipation of most of the Soviet republics.

Before I describe the process of economic warfare between Russia and the Soviet authorities it is worth to say what was the rational of this conflict. What targets the new Russian authorities and elites wanted to achieve?

Answering this question is not an easy task. The real political developments at that time seemed to be influenced by a number of different factors. The political and personal rivalry between Yeltsin and Gorbachev was only one of them. Yeltsin was not the only Russian political figure presenting strong personal ambitions. The same characteristics were also attributable to his deputy in parliament Ruslan Khasbulatov who later became one of the main actors of the September - October 1993 drama. Russian democratic movement (Democratic Russia - *Demrossiya*) became more and more disappointed with the inconsequent Gorbachev reforms and made its political choice in favor of Yeltsin. Part of the Russian democratic activists consciously accepted the perspective of independence of some of the Soviet republics when others believed in the possibility to build the renewed Soviet Union. Some of the liberal minded economists were aware of the huge costs connected with continuation of the Soviet federation and the common currency area and it was for this reason that they did not oppose the perspective of economic disintegration of USSR. They also did not believe in the possibility to find a rational consensus in respect to the reform program for all the Soviet republics whose economic interests were strongly differentiated.

Unfortunately, economic disintegration of USSR happened in a very spontaneous manner, a manner of populist struggle between Russian and Soviet authorities. It led to the total lose of macroeconomic control and repressed hyperinflation in the very end of 1991. Before it happened Russian parliament and government started to decompose the old economic order through unilateral legislative decisions.

The Law on the Central Bank of Russian Federation and Law on Banks and Banking Activity from December 1990 were the first concrete steps on this path [see - Matycyn, 1994]. The newly created Central Bank of the Russian Federation (CBRF) with Georgii Matyukhin as governor began to take over the personal and administrative control over all regional branches of the Gosbank of USSR on the Russian territory. It also offered more liberal licensing conditions for commercial banks. As a result of this competition most commercial banks in the Russian Federation were re-registered under the jurisdiction of CBRF in the next few months. The Russian central bank did not respect the Gosbank recommendations and decisions in relation to credit emission, interest rate policy, reserve requirements, etc. It started to finance the republican budget deficit and Russian enterprises through fully autonomous credit emission.

The monetary and banking war was followed by a similar war in the fiscal policy sphere. Russian government started to consolidate control over all-union enterprises, on its territory, offering them lower tax rates. Collected taxes were used for the republican budget purposes and not transmitted to the Union budget. This practice was followed later by some other republics. In 1991 the Union budget (especially in the second half of the year) was left without revenues and with the expenditure side only (The Union level still financed the army and security forces, central administration, some subsidies, and investments, etc.). It led, of course, to the uncontrolled monetary expansion as Gosbank had to finance huge deficit of the Union budget.

The Russian parliament and government also competed with Soviet authorities on the social policy field multiplying various social privileges and benefits. This populist competition was additionally stimulated by the political events - the Spring 1991 referendum on continuation of Soviet Union[10] and June 1991 presidential elections in Russia won by Boris Yeltsin. This last event led to August 1991 coup d'état.

The Soviet government of Valentin Pavlov tried desperately to improve the macroeconomic equilibrium by the non-equivalent exchange of 50- and 100-ruble banknotes in January 1991 and by the administrative price increase in April 1991. Both steps were taken from the traditional command economy arsenal and not accompanied by any more comprehensive reform measures. Additionally, the first decision was badly calculated and implemented, only increasing economic chaos.

The unsuccessful, August 1991, coup d'état became the turning point in the late history of Soviet Union, leading to its final dissolution in December 1991. It was a

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[10] This referendum was formally won by Mikhail Gorbachev - most of electorate voted in favor of renewed Soviet Union. The result of referendum could not stop, however, the disintegration process.

desperate attempt taken by the communist party hardliners (including the V-President Yanaev, Prime Minister Pavlov, Minister of Defence Yazov, KGB Chief Kryuchkov and Supreme Soviet Speaker Lukiyanov) to save the Soviet empire and prevent the signing of a new Union Treaty finalizing the negotiations in Novo-Ogarevo. From today's point view it is quite clear that the coup d'état was planned not only against Gorbachev and the most nationally emancipated Soviet republics such as the Baltic republics and Georgia but also or even mainly against Boris Yeltsin and the Russian Federation authorities.

The failure of the August coup accelerated the process of political and economic disintegration. The last Soviet administration - Interrepublican Economic Committee (Mezhrespublikanskii Ekonomicheskii Komitet - MEK) headed by Ivan Silaev - played the role of a liquidation committee rather than of a real government. A strong effort to prepare and negotiate with Soviet republics a new Treaty on Economic Union was taken by the MEK V-Chairman Grigorii Yavlinskii but it did not end successfully. The concept of the treaty tried to follow the idea of the European Union including a monetary and banking union [see - opinion of Havrylyshyn and Williamson, 1991]. The treaty was signed in Novo-Ogarevo in October 1991 by 10 republics but never implemented because of a failure to agree on the political union treaty. The Economic Union treaty was the first from a very long list of integration agreements signed during the next three years between the former Soviet republics. These treaties reflected only some political declaration's and a lot of economic illusions but never real readiness to return to any kind of political union which is the necessary condition to have a common currency.

Real developments went in a completely opposite direction. After August 1991, Gosbank of USSR definitely lost control over monetary policy in Russia and Baltic states which became recognized as independent by Russia and the Soviet Union. Most other republics preferred more passive approach waiting for the final outcome of this conflict.

The Ukrainian referendum from December 1, 1991 accepting the independence of this country led to Belavezha agreements on dissolution of the USSR and creating the Commonwealth of Independent States (CIS). In mid December the decision on the liquidation of Gosbank of USSR was taken by President Yeltsin. The ruble zone entered the new stage of its existence when the one common currency was managed by 15 central banks each one of them being independent.

4. The Second stage of monetary disintegration - after dissolution of USSR (1992-1993)

From the beginning of 1992 all of the former Soviet republics became independent states having their own central banks. However, all these countries (including Baltic ones) used in the beginning of their independence the old Soviet ruble. For the reasons discussed earlier this situation was not sustainable and had to evolve. Taking into consideration a general reluctance to rebuild the political union the only possible outcome in the monetary sphere could be the collapse of a common currency area. It had to happen sooner or later. In reality this process took almost two years. Without going into details[11], we can identify four distinct phases of that process:

The **first phase** consisted of the functioning of a monetary union in the first half of 1992, with 15 national banks acting as central banks, independent of each other and using their positions as “free riders”[12] to try to outbid each other in the emission of money in the form of credit. The National Bank of the Ukraine was particularly active on this front, being the first central bank in the former USSR to initiate (in June 1992) so-called *vzaimozachet*, that is, multilateral clearing of interenterprise arrears with the help of an additional supply of credit. Although Russia became a monopolist in the emission of ruble

[11] A detailed description of this process can be found, for example, in Dąbrowski et al. [1993], Hernandez-Cata [1993], Dąbrowski [1993], Granville and Lushin [1993], and IMF [1994].

[12] The above described system created total anarchy in the monetary policy. One must agree with Jeffrey Sachs and David Lipton that *"...there is no realistic possibility of controlling credit in a system in which several independent central banks each have the independent authority to issue credit. The reason is simple. There is an overwhelming pressure in each of the states to "free ride" by issuing ruble credits at the expense of the rest of the system"* [Sachs and Lipton, 1992]. The effect was similar to the case of falsification of banknotes, maybe even more serious because it is far easier from technical point of view to issue additional credit money than cash money.

cash, some other republics of the former USSR began to introduce parallel cash currency (coupons) avoiding in this way Russian constraints and "protecting" the domestic consumer markets (with continuing shortages) against buyers from other republics. This was the case, for example, in the Ukraine, Lithuania, and Azerbaijan.

The vastly expansive monetary policy in several post-Soviet states (in some cases even more expansive than in Russia) as well as the traditional structural imbalance in interrepublican trade in favor of Russia (financed in the past by enormous capital transfers from the budget of the USSR) caused an enormous "import" of money in credit form by Russia in 1992 and the first half of 1993 (see - section 6).

The **second phase** began with the CBRF's introduction at the beginning of July 1992 of the requirement of daily bilateral clearing of settlements between Russia and other post-Soviet states still using the ruble. Payments made by these states to Russia were realized only in the amount in the correspondence account of a given central bank with the CBRF on a given day. This step meant in practice the end of the ruble as a uniform currency in non-cash settlements and the creation of national non-cash rubles. In practice this fundamental turning point in the monetary system was "softened" until spring of 1993 by the abundant supply of so-called technical credits for the states of the CIS from the CBRF and the Russian government. This meant Russia's continuing import of inflation from other post-Soviet states (chiefly Kazakhstan, Uzbekistan, and Belarus). In cash turnover the ruble remained a common currency, although the use of monetary substitutes (coupons) expanded due to Russia's rationing of deliveries of ruble cash. This last fact resulted in turn from the increase, in the first half of 1993, in payment for imports from Russia using ruble cash, given the existing limits on technical credits.

In the **third phase**, various post-Soviet states exited completely from the ruble area by introducing their own national currencies. This process began at the end of June 1992 in Estonia; Latvia, Lithuania, Ukraine followed in the summer and autumn of 1992, and Kyrgyzstan in May 1993.

The **fourth phase** was the final collapse of the ruble area, which began with the exchange of banknotes by the CBRF on Russian territory at the end of July 1993. After several months of political bargaining over the idea of creating a so-called "new style ruble area" (see Granville and Lushin [1993] and section 5 of the present paper), all remaining post-Soviet states introduced their own currencies. This occurred during the period from September to November 1993. The exception was Tadzhikistan, which introduced its own currency not until May 1995.

Table 1 contains a list of the new national currencies and dates of their introduction.

If we look at the motivation staying behind the individual decisions to leave a ruble area it varied across the FSU countries. Some of them (Baltics states, Ukraine) decided to introduce their own currencies mainly for political reasons: they wanted to get sovereignty also in the sphere of monetary policy. But economic arguments also played an important role. Russian monetary policy in 1992 and 1993 was too inflationary for Baltic states which wanted to stabilize their economies very quickly (especially Estonia and Latvia). It seems that the same argument played a role in Kyrgyzstan. Contrary to it, for Ukraine and Belarus Russian monetary policy was too restrictive - they wanted to issue even more money than they can expect from CBRF. The last group which left the ruble area in autumn 1993 (Kazakhstan, Uzbekistan, Turkmenistan, Moldova, Armenia and Georgia) was simply pushed out from this zone through CBRF operation exchanging ruble banknotes from July 1993[13].

[13] The goal of this operation was not, however, completely clear and were never explicitly stated by its authors. The behavior of the CBRF was not very consistent, as is shown by the almost immediate transfer of 50 billion ruble of new banknotes to Uzbekistan. Thus, another interpretation cannot be ruled out _ that in essence the leadership of the CBRF wanted to throw the other states of the CIS on their knees in order to make them more willing to submit to rejoin the ruble area on the conditions set by the CBRF. If this is the case, then this goal was not attained. Regardless of the intentions underlying the decision of the CBRF, the operation of exchanging banknotes had many negative indirect effects on the monetary system in Russia itself.

5. Unsuccessful attempts to rebuild ruble area (1992-1994)

From the very beginning of the process of the ruble area's gradual disintegration, endeavors had also been under way to preserve it and then, after partial collapse in 1992, to recreate it.

The history of efforts to preserve or reanimate the ruble area includes a number of agreements signed at a series of summits of CIS states; in general, these were not very concrete and lacked any effective implementation mechanisms. In the meantime, the real course of events tended in exactly the opposite direction: gradual disintegration. Thus, all the monetary and banking agreements were never implemented.

Chronologically the first document of this type was the "Agreement on a Uniform Monetary System and Unified Money, Credit, and Currency Policy in the States Using the Ruble as a Legal Medium of Exchange," signed October 9, 1992 during a CIS summit meeting in the Kyrgyz capital Bishkek by eight states (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tadzhikistan, and Uzbekistan) [see Gurevich, 1992] [14]. This agreement called, among other things, for the preservation of the ruble as a common legal medium of exchange (although at the same time it allowed for the continued existence of monetary surrogates, and thus did not exclude the possibility of the signatories' introducing their own currencies in the future). Decision mechanisms were also not precisely defined which would have made it possible to conduct a common and effective monetary and fiscal policy.

In Bishkek it was also decided to create an Interstate Bank (*Mezhgosudarstvennyi bank*), whose "task of first priority" was to be the "...realization of mutual interstate settlements." It was not clear, however, whether this was to be the central emission bank of the ruble area or only a bank for multilateral clearing; the relation of the bank to the republican banks was also not clear. The internal decision mechanism of the bank became a subject of conflict between the signatories of the Bishkek agreement. Russia wanted a

[14] The earlier CIS central banks summit in Tashkent (Uzbekistan) in spring 1992 did not bring any concrete decisions.

quota system modelled after the IMF, which would obviously have given it the decisive say. The other partners preferred the principle of one country, one vote, which in turn was not acceptable for Russia.

The latter problem (the character and method of management of the Interstate Bank) became the subject of three-month-long negotiations by experts and politicians. Finally, at the next CIS summit in Minsk in January 1993, it was agreed that the Interstate Bank would be an institution organizing multilateral clearing on the basis of the Russian ruble. Russia received 50 percent of the votes in the Board of the bank; the majority of decisions, however, were to require 75 percent of the votes for approval [see Zhagel', 1993; Seninsky, 1993; SNG, 1993].

In practice, the Interstate Bank never came into being, in spite of repeated political declarations of the need for its existence. Thus, for example, at the CIS summit in Moscow on May 14, 1993, a new document, the Economic Union Treaty [see - Kozarzewski, 1994], was signed. It affirmed the earlier agreement concerning the Interstate Bank and the intention to preserve the common currency (the ruble).

On the basis of this treaty negotiations concerning the "New Style Ruble Area" (NSRA) were conducted (although no one ever defined how NSRA was to differ from the "old" one). A "mobilizing" factor was undoubtedly constituted by the July ruble exchange, which, in states still officially using the old banknotes, caused a massive flight from the currency. The next agreement concerning the NSRA, signed September 7, 1993, by Russia, Kazakhstan, Uzbekistan, Tadzhikistan, Belarus, and Armenia, included an agreement concerning the coordination of monetary, fiscal, banking, and currency regulations (an agreement to maintain stable exchange rates of the national currencies versus the ruble). Indicators to be set by Russia included; the money supply, consolidated budget deficit, interest rates on central bank refinancing credit, and the minimum reserve requirements.

This agreement opened bilateral negotiations between CIS states and Russia. The next step involved signing the standardized bilateral agreements between Russia and the above-named states. The agreements stated that at the conclusion of the period of transformation into the NSRA, the ruble was to be the only legal medium of exchange in the signatory countries. These countries also expressed agreement to a unified exchange rate of the ruble against convertible countries and the creation of common international reserves for the purpose of defending the ruble. The indicated date for the conclusion of the transformation period (completion of appropriate legal regulations and coordination with Russia of monetary and fiscal policy) was the end of 1994. However, also this agreement was never implemented. In spite of the signing in the autumn of 1993 of bilateral framework agreements by the signatories of the NSRA agreement, these states were forced in October and November 1993 to introduce national monetary units, in cash as well as non-cash turnover. They were induced to do so by their populations' flight from the old Soviet rubles, the technical cash deficit and the firm position of the Russian government (controlled in this period by the radical reformers) in the matter of conditions of realization of the monetary union. These conditions would have led to the complete surrender of sovereignty in the sphere of macroeconomic policy and the banking system and the assumption of demanding obligations in the matter of internal financial discipline.

The last serious attempt to rebuild, at least partly the ruble area, was the "Agreement on the Unification of the Monetary Systems of the Republic of Belarus and the Russian Federation and on the Conditions of Functioning of a Common Monetary System" from April 12, 1994. Belarus tried to use the political changes in Moscow at the beginning of 1994 (resignation of Egor Gaidar and Boris Fedorov from government) to realize the idea of the NSRA.

The signed document called for a number of far-reaching steps to harmonize the economic systems of those two countries. The most important were the following:

1. on May 1, 1994, Belarus was to adjust all its customs duties and taxes affecting foreign trade to those prevailing in Russia as of April 1, 1994; tariffs in mutual trade were to be eliminated, and at the moment of the monetary union's going into effect, quotas and licenses in bilateral trade contacts of the two nations were also to be eliminated;
2. Belarus was to cease collection of payments and transit taxes on Russian exports and imports and also in the case of transit to and from the Kaliningrad *oblast'*; Russian

strategic forces stationed on Belarussian territory were to be freed from tax and payment obligations to the Belarussian authorities;

3. the common monetary unit was to be the Russian ruble and the CBRF was to be the central bank within the union; the role of the National Bank of Belarus was to play the role of a branch of the CBRF, with representatives of the NBB included in the Council of Directors of the CBRF;
4. at the moment of the agreement's going into effect, the citizens of Belarus were to be obliged to exchange 200 thousand Belarussian rubles in cash and up to one million Belarussian rubles in the form of bank deposits and savings certificates (held as of April 1, 1994) for Russian rubles at the rate of 1:1 (the market rate in spring 1994 was around 10:1); the exchange ceiling was to be indexed with respect to inflation in Russia (based on the CPI) for the period from April 12, 1994 to the moment of the exchange; the remaining funds of individual persons and of enterprises were to be exchanged at a special rate reflecting the purchasing power parity relationship as well as the market rate and agreed upon by the authorities of both countries;
5. Russia was to make efforts to extend to Belarus in the first quarter of 1994 state credit for the support of the balance of payments in the amount of 200 billion Russian rubles;
6. both countries were to strictly harmonize their budgetary systems, which in practice means that the Belarussian budget was to be accepted by the government of the Russian Federation and the Russian Duma;
7. within three months following the currency unification, Belarus was to adopt the Russian system of wages and salaries for employees in the budgetary sphere, and social and employment policies were to become subject to joint coordination.

Undoubtedly, the Russian - Belarusian treaty was the most concrete agreement concluded for the purpose of bringing about a return to a common currency on at least a portion of the territory of the former USSR. However, it was never ratified and implemented. Belarus did not want to give up the independence of its central bank which would violate the Belarussian constitution. After presidential election in summer 1993 the new President Aleksandr Lukashenko decided *de facto* to abandon this agreement. Only the first two points (on custom union and on transit issues) were implemented.

Looking at the quite long history of unsuccessful attempts to reconstruct, at least partly, the ruble area it is worth to ask what kind of motives and arguments stood behind them.

These motives were quite obvious in the case of some CIS leaders outside Russia who struggled to the very end for retaining the ruble zone. They represent countries heavily benefiting from Russian financial aid in the past. They believed that remaining in the ruble zone they can continue the inter-republican economic relation from the late USSR period: large fiscal or quasi-fiscal transfers, unlimited deliveries of cheap energy and raw materials, easy market for their substandard manufactured products (or military equipment). All these expectations were not realistic.

Beside the purely economic expectations the political motives played also an important role. It was absolutely clear in the case of the two most active advocates of rebuilding the ruble area - Kazakhstan's President Nursultan Nazarbaev and Belarusian Prime Minister Vyacheslav Kebich. Nazarbaev was afraid of a conflict between the native population and the Russian (or more generally - Slavic) population in case of a definitive economic separation of Kazakhstan and Russia. Kebich wanted to win presidential election in June 1994 presenting the citizens the perspective of reaching Russia's living standard (which was higher than Belarusian at that time) with the reintroduction the Russian ruble. He also treated the monetary union as the substitute of radical market reforms and necessary macroeconomic adjustment [see - Dąbrowski, 1994].

On the Russian side the main advocates of preservation and later reconstruction of the ruble area were conservative and moderately conservative forces interested at least partly in the reconstruction of the old empire and taking no note of the financial costs of such an arrangement for Russia (see - Kozarzewski, 1994). Among the highest state functionaries supporting the ruble area in 1992-1993 were CBRF President Victor

Gerashchenko and Prime Minister Victor Chernomyrdin[15]. The opponents included almost all politicians and economists in the camp of the radical reformers, such as Egor Gaidar, Boris Fedorov, Anatolii Chubais, Aleksandr Shokhin and Vladimir Mashits (the head of the State Committee on Economic Cooperation with the States of the CIS) who understood the economic costs for Russia connected with keeping the common currency.

The arguments most frequently used by the Russian advocates of the ruble zone are the problems of Russian populations in countries of the "near abroad" and the links between Russian enterprises and enterprises in the other states of the CIS (which causes them to lobby for the preservation of very easy markets).

Finally it is important to remind that advocates of quick introduction of separate national currencies never received clear support from the Western governments and IMF, at least in the first year of the post-Soviet transition. Especially the IMF approach to this issue was very confusing. During the Tashkent summit of governors of CIS central banks in the spring of 1992 the IMF representative did not give a recommendation to introduce national currencies but opted rather for the more close co-ordination of macroeconomic policies between countries of the ruble zone (which was politically unrealistic). Estonia introduced its own currency in June 1992 without prior IMF assistance. Lithuania waited with its monetary reform until June 1993 not receiving earlier the necessary support from IMF for such a step. It costed this country one year delay in macroeconomic stabilization in comparison to its Baltic neighbours. Only in 1993 IMF started its support for the introduction of national currencies in FSU countries (Kyrgyzstan was the first case in May 1993).

[15] In the very end of negotiations with Belarus in the spring of 1994 Chernomyrdin's attitude to bilateral monetary union became less enthusiastic. It seems that he finally understood the cost of this operation for Russia.

6. Economic consequences of maintaining the ruble area.

The existence of time-lag between the disintegration of the political system and abandoning the common currency in the former USSR had an exceptionally unfavorable effect on the tempo and quality of macroeconomic stabilization and systemic reforms in the FSU states and especially in the Russian Federation.

This lag caused enormous transfers of Russian GDP to other post-Soviet states in 1992-1993. The **first** channel of this transfer was the excessively easy (in the first half of 1992) financing of imports from Russia, which was gradually rendered more difficult until it was finally almost completely brought to a halt in the second half of 1993. The **second** form of transfers consists of artificially low export prices of Russian raw materials and energy resources. These are either domestic Russian prices or prices which are in fact higher than the domestic prices but still below world prices [see - Antczak, 1994]. The **third** and final form of support for certain states of the CIS is the tolerance of enormous payments arrears of those customers to Russian suppliers (particularly with regard to the fuel-energy complex). In the remaining part of the analysis we will concentrate primarily on the first form of transfers.

The monetary system as it functioned in the first half of 1992 created - for obvious reasons - huge opportunities for the states of the CIS to import Russian goods. Russian exporters also profited from this situation. The explosion of mutual arrears of Russian enterprises made export to the countries of the former USSR exceptionally attractive. Importers of Russian goods thus had easy access to cheap credits granted by the various central banks. If we add to this the obvious political motives (the desire to maintain Russian influence and presence in various states), we obtain an almost full picture of the reasons why the system was preserved in spite of its strongly negative consequences for the Russian economy.

It is worth mentioning that in the first months of the Russian transformation (that is, the end of 1991 and beginning of 1992), the threat associated with this type of monetary system was not very noticeable either for the Russian reformers or for the IMF and a number of foreign experts. It became clear only in the spring of 1992[16].

The system of daily monitoring of correspondence accounts of the central banks of the CIS states established by the CBRF on 1 July, 1992, made possible the control of bilateral balances and the imposition of credit limitations. Purchases of goods in Russia resulted in liabilities on the correspondence accounts and export to Russia was to balance those accounts. Intergovernmental contracts were to regulate the amount of Russia's credits granted to the FSU countries (so-called technical credit of CBRF to other central banks). Exceeding the allowable amount of credit resulted in the CBRF's refusal to finance further Russian exports to the state exceeding its limit. A state's positive balance of trade with Russia did not allow it to use its surplus for the financing of trade with any third state. Thus, correspondence accounts were strictly bilateral. In spite of strong institutional limitations (in comparison with the earlier situation), these regulations were very ineffective because of huge expansion of technical credits of CBRF and its acceptation of overdrafts on the correspondent accounts in the second half of 1992 and the first half of 1993. The sum of these credits for all of 1992 amounted to 1,258 million rubles, i.e. 8.4% of Russian GDP according to Granville and Lushin [1993] (see **table 2**) or 1,489 million rubles (8.2% of GDP) according to later estimations [IEA, 1995, pp. 210-211]. In 1993 the total amount of CBRF credits to FSU countries was equal to 4,852 million rubles, i.e. 3.0% of GDP [IEA, 1995, pp. 210-211]. However, most of them were concentrated in the first half of 1993[17].

In the end of 1992 and beginning of 1993 the countries of the CIS, desiring to avoid a deficit of credit rubles, began to use cash rubles in their trade with Russia. The growth of cash deliveries from the CBRF at that period became the main source of financial transfers to the countries of the CIS (see **- tables 2** and **3**).

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[16] Jeffrey Sachs and David Lipton [1992] memo from May 1, 1992 was one of the first warnings to Russian government.

[17] According to IEA [1995, pp. 222-223] estimates during four months from December 1992 to March 1993 they amounted 9.5% of Russian GDP, from April to August 1993 3.2% of GDP and in the last four months of 1993 only 1.5% of GDP.

Due to the lack of hope of credits repayment, the Russian government and the Supreme Soviet decided in mid 1993 to suspend further grants and transform the credits of 1992-1993 into official state debts of the CIS states to Russia.

As it was said earlier at the end of November 1993, all nations of the former USSR, with the exception of Tadzhikistan, introduced their own currencies. Direct transfers to the states of the CIS were seriously limited, and the "monetary" channel for these transfers was terminated. In 1994 CBRF credits to FSU countries were practically equal zero [IEA, 1995, p. 210-211].

In 1992-1993 credit to FSU countries became an important source of the monetary expansion of the CBRF (see - **table 4**). This kind of monetary financing amounted to 22.3% of the overall CBRF credit increase in 1992 and 21.6% in 1993. It is worth to remember that central bank credit expansion exceeded at that time (especially in 1992) any international standards.

For several CIS states, the financial transfers from the CBRF equalled a significant portion of their GDP, in 1992 as well as in the first half of 1993 (see **table 5**). In the case of Uzbekistan they amounted to 69.2 percent of the country's GDP in 1992 and 52.8 percent in the first seven months of 1993. For Kazakhstan the transfers represented respectively 25.1 percent and 40.9 percent of GDP, for Turkmenistan 67.1 percent and 45.7 percent, for Tadzhikistan 42.3 percent and 40.9 percent, for Armenia 53.2 percent and 19.7 percent. Moreover, this accounting does not include indirect transfers resulting from artificially low prices of Russian raw materials (especially energy resources). On the other hand, serious doubts exist about the accuracy of GDP estimates in the various countries. It seems that in many cases they are too low, although this is due to the difference between the purchasing power parity of the Russian ruble in various post-Soviet countries and in Russia itself. Thus the data contained in table 4 should be regarded only as rough estimates and not a precise picture of the situation.

While negative macroeconomic consequences of continuing the ruble area for Russia were quite obvious they were less recognized in relation to other FSU countries. However, they existed without any doubts. **First**, highly inflationary environment created by the continued monetary union did not allow non-Russian FSU states to stabilize their economies. It is not an accident that progress in fighting with high inflation came in many FSU countries only when they left the ruble area. It relates to Baltic states, Kyrgyzstan, Moldova, recently to Kazakhstan, Armenia and Georgia. No country was able to stabilize while remaining in the ruble area! **Second**, macroeconomic stabilization under the continued ruble area also was not possible because the existing monetary regime was seen by economic agents and population as only transitional. Uncertainty decreased the propensity to hold the ruble. **Third**, the availability of almost unlimited Russian financial transfers connected with the existence of the common currency slowed down the process of structural adjustment and institutional, market-oriented reforms.

There is quite obvious relation between the state of economy and readiness of politicians to implement a socially painful and politically risky reforms. If politicians see the possibility to survive without doing fundamental reforms they usually try to avoid or postpone such measures. They are ready to start radical changes only if they do not see any other way out. It is an unpleasant but true statement about the political economy of transition.

From this point of view keeping the ruble area after political dissolution of USSR and, what is even more important, maintaining the illusions about a possibility to return to a common currency delayed the transition process in most of FSU countries and made it more painful economically and socially.

7. Conclusions

The history of collapse of the ruble area seems to be a very good empirical lesson both for economic theory and economic policy. It highlights the role of political consensus and institutionalized political union as the basic precondition to have a common currency. If this condition does not exist there is no sense to have a common currency even if the specific territory meets the economic criteria of the optimal currency area. It is worth repeating, however, that the former USSR could hardly be seen as optimal currency area.

Unfortunately, at the end of 1991 when USSR was politically dissolved most politicians and economists in the successor countries failed to make adequate diagnosis in relation to monetary arrangements[18]. They did not receive also the adequate intellectual assistance to solve this problem from the West, especially from the IMF.

It seems that false diagnosis was not a matter of professional ignorance, especially in the case of international financial institutions such as IMF. It rather reflected the political confusion after the sudden collapse of the USSR which was not expected to happen so fast. Western governments were not generally prepared to deal with 15 completely independent post-Soviet states and probably they did not believe that some of them can solve their problems themselves without any kind of Russian protectorate. They were also afraid of chaotic fragmentation of the Soviet empire which might lead to bloody ethnic conflicts and losening control over nuclear weapon[19]. Some of the Western politicians did

[18] Looking at two other disintegration experience in the post-communist part of Europe we can notice similar problems in the former Yugoslavia when the new national currencies were introduced in successor countries with some delay comparing to the real political dissolution of the Yugoslav federation. Contrary to it, the Czech Republic and Slovakia made separation of their currencies just one month after the dissolution of the Czecho-Slovak federation which allowed both countries to avoid macroeconomic turbulences.

[19] Yugoslav civil war which started in mid 1991 and Karabakh conflict between Armenia and Azerbaijan were seen probably by many Western politicians as warning signal what can happen after spontaneous decomposition of the former USSR. Another question is did they take the proper lessons from the Yugoslav experience. Looking back from today point of view it seems quite obvious that US support for the Yugoslav

not want to provoke a counterreaction of communist hardliners by supporting the idea of the breakup of the USSR too early. Later there was also no clear idea about the future character of CIS both inside and outside of the FSU.

Western governments were also afraid of the succession of their financial claims vis a vis former USSR and it was an additional reason for preferring to maintain a monetary and economic union on the territory of the former USSR [see - Dąbrowski and Rostowski, 1995].

Some of FSU and Western economists seemed to overestimate the negative consequences of collapse of the monetary union. They assumed that maintaining the common currency avoids a trade shock - this was an incorrect diagnosis. A significant part of previous trade links would have collapsed anyway regardless whether the ruble area continued to exist (as it happened inside Russia). The only real cost of abandoning the common currency was connected with higher transaction costs. But it should be compared with costs of maintaining unsustainable monetary arrangements which were far bigger.

Prolonging the process of dissolution of the ruble area significantly raised the costs of all the USSR's successors: Russia failed two macrostabilizations (in 1992 and 1993) and some other FSU countries delayed the start of real market transition for two years or more.

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federation to the very end (i.e. summer 1991) was a serious mistake strengthening de facto Serbian imperialistic ambitions.

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Table 1: Timetable of introduction the new currencies by FSU countries

Country	Date of the full separation from the ruble zone	Name of currency unit	Remarks
Estonia	06/22/1992	Kroon	Currency board, with peg to the German mark
Latvia	07/20/1992	Lats	Latvian ruble (*rublis*) at the beginning, gradually replaced by *lats* (from March 1993)
Lithuania	10/01/1992	Litas	*Talonas* at the beginning, replaced in June 1993 by *litas*; currency board from April 1994, with peg to US $
Ukraine	11/11/1992	Karbovanets	New currency unit *hryvna* is under discussion
Belarus	November 1992	Belarusian ruble	Russian ruble was accepted also after this date; unsucessful attempt to make monetary union with Russia in spring 1994
Kyrgyzstan	05/15/1993	Som	
Georgia	08/02/1993	Coupon	
Turkmenistan	11/01/1993	Manat	
Kazakhstan	11/15/1993	Tenge	
Uzbekistan	11/16/1993	Sum	
Armenia	11/22/1993	Dram	
Moldova	11/29/1993	Leu	
Azerbeijan	12/11/1993	Manat	
Tadjikistan	May 1995		

Sources: IMF [1994] - Annex 3; author's data

Table 2: Financial transfers from Russia to other FSU countries in 1992 (in billions of rubles)

Country	Technical credits		Cash
	1992 total	% of GDP	2nd half, 1992
Ukraine	454.59	3.03	data not available
Belarus	86.68	0.58	10.54
Kazakhstan	289.06	1.93	101.19
Uzbekistan	177.56	1.18	99.87
Tajikistan	28.27	0.19	7.30
Turkmenistan	80.81	0.54	53.47
Kyrgyzstan	21.93	0.15	17.48
Moldova	13.70	0.09	13.17
Armenia	24.22	0.16	11.42
Azerbaijan	43.12	0.29	5.60
Georgia	33.04	0.22	32.46
Latvia	1.17	0.01	-
Lithuania	- 0.44	0.00	-
Estonia	3.66	0.02	-
Total	**1257.97**	**8.39**	**352.50**

Source: Granville and Lushin (1993)

Table 3: Financial transfers to states of the CIS

Period	Technical credits	Cash deliveries	Total (2+3)	Ratio 3 : 4
1	2	3	4	5
1992, of which:	1258.0	411.8	1669.8	24.7
First half	316.4	59.3	375.7	15.8
Second half	941.6	352.5	1294.1	27.2
1993, first half, of which:	932.0	1260.4	2192.4	57.5
First quarter	660.0	460.4	1120.0	41.1
Second quarter	272.0	800.0	1072.0	74.6
Total	**2190.0**	**1672.2**	**3862.2**	**43.3**

Source: Granville and Lushin [1993]

Table 4: CBRF credits to FSU countries in comparison with other sources of monetary expansion, 1992-1993 (in % of GDP).

Item	1992	1993
Credit to government	14.2	6.4
Credit to commercial banks	14.2	4.4
Credit to other institutions	0.2	0.1
Credit to FSU countries	8.2	3.0
Total	**36.8**	**13.9**

Source: IEA [1995], pp. 210-211

Table 5: Russian financial assistance to other FSU states
(as % of GDP of particular states)

Country	1992	First 7 months of 1993
Uzbekistan	69.2	52.8
Kazakhstan	25.1	48.8
Turkmenistan	67.1	45.7
Tajikistan	42.3	40.9
Kyrgyzstan	22.6	23.9
Armenia	53.2	19.7
Belarus	11.9	8.8
Moldova	17	6.1
Ukraine	23.7	1.9
Azerbaijan	20.8	—

Source: Illarionov (1993)