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Beyond the Crisis: Prospects for Emerging Europe

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Notes

1. The CEECCA countries that formerly belonged to the political and economic sphere of the Soviet Union have a common historical root but are rather diverse. Ten countries are members of the European Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and

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lag some years compared to growth, though there are some contemporaneous correlates as well. When it is only the regressand, the growth rate of GDP, which contains a measurement error due to the adoption of forecasts, it boosts the standard error of the estimate but does not distort the unbiasedness of the regression.

4. It was widely expected that countries undergoing transition would experience an initial decline in output and employment, but the depth and the length of the post-communist recession were unexpected ([Fischer, 2002](#); [Svejnar 2006](#)). The literature has proposed various explanations for this phenomenon. [Svejnar \(2006\)](#) categorises them into six main themes. First, a disorganisation among suppliers, producers and consumers associated with the central planning; second, the dissolution in 1990 of Comecon (Council for Mutual Economic Assistance), which governed trade relations across the Soviet bloc; third,

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7. Multicollinearity among some variables may also explain the difficulties in finding a single best model. Note that multicollinearity affects the parameter estimates and their standard errors, but it does not reduce the predictive power or reliability of the model as a whole.
8. There are clear differences within the CEECCA region, however. The CEE10 have reached the highest level of integration, followed by the countries of the western Balkans that have either EU 'candidate' or 'potential candidate' status. The six 'Eastern Partnership' countries, which were part of the Soviet Union, have reached a varying degree of integration with the EU15, while integration was generally minor for most of the other former Soviet Union countries.

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14. The income thresholds we applied were defined in the section 'Methodology and model selection issues'. We did not include the four EU15 countries falling within the thresholds (Greece, Italy, Portugal and Spain). The 44 countries are: Albania, Algeria, Argentina, Azerbaijan, Belarus, Bosnia/Herzegovina, Botswana, Brazil, Chile, Colombia, Costa Rica, Croatia, Dominican Republic, Ecuador, El Salvador, Gabon, Iran, Israel, Jamaica, Kazakhstan, South Korea, Lebanon, Libya, Macedonia, Malaysia, Mauritius, Mexico, Namibia, New Zealand, Oman, Panama, Peru, Russia, Saudi Arabia, Serbia, South Africa, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Uruguay, and Venezuela.

15. For example, during the pre-crisis boom, rapid economic growth was accompanied by growing internal and external vulnerabilities in several CEECCA countries, which would suggest a perverse relationship between

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