COMPETITION AND ENTRY IN RUSSIAN INDUSTRY

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I. INTRODUCTION

The development of a competitive private sector business environment in the industrial sector[1] is essential to the sustainability of Russia's growth. Since the start of reforms in 1992, significant progress has been made in many areas of the economy. Russia's industrial sector is one where price controls have been lifted on 90% of wholesale and retail goods, and most state owned enterprises (SOEs) have been privatized, although some key SOEs have yet to be fully or partially divested.

Yet Russia had not undertaken significant restructuring of dominant firms or eliminated non-economic barriers to entry *before* price liberalization or privatization was instituted. Horizontal and vertical dominance among incumbent firms, and barriers to entry by new businesses are considerably more pronounced in Russia's industrial sector relative to many other transition economies. The relative absence of new businesses in Russia is particularly striking. While many enterprises have experienced ownership change, the industrial configuration determined by administrative fiat and central planning during the Soviet era has yet to give way to a regime of enterprise structure, conduct and performance engendered by competitive market forces.

It appears that there remains considerable potential for abuse of market power in Russia, not only in the infrastructure monopoly sectors--a point that is widely acknowledged and for which policy initiatives form a significant part of the Government's structural reform agenda--but also in elements of the manufacturing sector. In point of fact, many industrial firms are effectively immune to robust competitive market forces due to structural and administrative impediments. These impediments include significant seller (and buyer) concentration--horizontal dominance--in select regional markets; there is also a high degree of vertical integration and exclusive buyer-seller relationships in certain industrial sectors and pervasive regional geographic segmentation. Equally important, regulatory and institutional entry barriers protect many incumbent firms in dominant markets from new competitors or even the threat of potential competitors, both domestic and foreign.[2]

Excessive horizontal and vertical consolidation and high entry barriers in Russia's industrial sector have several consequences: (i) high prices, reduced output and diminished product and service quality--all of which act as disincentives for rechanneling enterprise assets to higher use values and greater productivity; (ii) diminished incentives for inter-regional trade among regions, thus retarding formation of a unified economic space; (iii) reduced business investment from foreign sources; and (iv) stifled innovation and technological advancement. Reforming anti-competitive horizontal and vertical structures in the manufacturing sector and reducing barriers to entry for new competitors should be key items on Russian post-privatization agenda for enterprise reform.

This paper assesses the incentives and constraints on enhancing structural aspects of inter-enterprise competition and on reducing barriers to entry in Russia's manufacturing sector and recommends policies for the Russian authorities. The central conclusions are that in an economy as large

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as Russia's that is undergoing a complex transition, the appropriate competitive horizontal and vertical restructuring of industrial markets needed to strike a balance between reducing anti-competitive conditions and allowing for sufficient economies of scale can only be accomplished in the medium term. But reducing policy-induced and institutional barriers to entry of new private sector competitors can--and should--be implemented in the short run. Indeed, even where excessive horizontal and vertical structural dominance remains, facilitating free entry can help make such markets contestable and provide strong pressures to compel competitive performance from incumbents. Equally important, a rules-based institutional framework for implementing competition policy--at the federal and regional levels--must be established to reduce administrative discretion and corruption, increase transparency and predictability and enhance incentives for accountability.

II. STRUCTURAL DOMINANCE AMONG INCUMBENT FIRMS

At the national level, the degree of concentration of industrial output in Russia suggests an absence of a structural competitive problem. The average 4-firm concentration ratio (the sum of the market shares of the top four producers) is about 60%. For many industries, Russia and the United States have similar 4-firm concentration ratios, and the largest Russian manufacturing enterprises (measured by number of employees) are not unusually large compared to US firms. Indeed what is noteworthy is the lack of *small* firms in Russia.[3] However, this aggregate-level analysis masks three underlying attributes of Russia's industrial landscape.

Horizontal Dominance. First, large Russian enterprises tend to be configured as single integrated multi-plant establishments, often located in or near a single city. In contrast, in industrialized economies a given enterprise usually has multiple establishments and they are located across domestic regions and often abroad. In Russia, products as diverse as trolley buses, potato-harvesters, motor scooters, and coal-cutting and tunneling machines--to mention only a few of hundreds--are manufactured only in a single enterprise in the whole of the country. On an establishment basis, the largest Russian enterprises are significantly *larger* than their counterparts in other countries, including the United States. Reliance on conventional measures of national market share and concentration thus likely understate the true extent of horizontal dominance in many Russian markets. Data on 328 firms in a 1997 World Bank-Russian Academy of Science (WB-RAS) survey[4] reveal that the average market share at the oblast level is 43%. Recent data on concentration indicate that at the oblast level, the average 4-firm concentration ratio is above 95%.

Support can be found for the notion that, as in other countries, in Russia, the greater the level of market concentration the higher are industry profits.[5] The same study found that capital intensity is negatively related to profitability. Data from the WB-RAS survey indicate that firms with lower capital productivity are more likely to be registered as "dominant" (generally defined as having market shares above 35%--see below) by the Ministry of Anti-Monopoly Policy and Support for Entrepreneurship (MAPSE).

Vertical Integration. Second, many of the dominant enterprises in Russia are also highly vertically integrated (or have exclusive buyer-seller relationships). Excessive levels of vertical integration superimposed on (horizontally) concentrated product markets can foreclose the entry of rival firms. The high degree of observed vertical integration largely reflects inertia of the uncertainties and chronic shortages of the old Soviet supply system. Engines for trucks are still made only by the Zavolzhye engine factory and bought only by the GAZ vehicle factory. Heavy locomotives are still produced only by the Novocherkassk electrical equipment factory, and the output is purchased completely by the Railways Ministry. Vertical integration is also increasing, occurring usually through mergers and acquisitions rather than through *de novo* expansion. In the oil industry Tyumen Oil was created in 1995, bringing together oil production associations, refinery operations, and oil product marketing firms. Vertical integration also is increasing through the creation of industry-led (as opposed to bank-led) FIGs. A case in point is ALKOR, which encompasses aluminum smelting, production and distribution of finished products. Data from the WB-RAS survey reveal that 46% of the firms indicated that their customers purchased supplies from only 1 or 2 suppliers, and that 23% of the suppliers control more than 65% of the relevant input market

Regional Market Segmentation. Third, significant political economic power is wielded by regional authorities in Russia. This manifests itself in the tight control of important economic activities *within* a region's boundaries. Such control, in combination with enterprise vertical integration, helps to freeze the high degree of structural autarky engendered under the Soviet system, where consumer goods production was a local responsibility and enterprises served only their respective local markets. Worse, it strengthens administrative--as opposed to economic--geographic market boundaries, and fosters the regional segmentation of the Russian economy, diminishing the establishment of a unified economic space, vigorous inter-regional competition and exploiting natural economies of scale. It is telling that in recent years some of the most frequent violations that MAPSE has dealt with were abuse of market dominance and anti-competitive actions by local governments.

III. BARRIERS TO NEW ENTRANTS

Who Are The New Private Entrants in Russia? The lack of effective entry by new private firms is a missing critical ingredient in Russia's enterprise reform program. A World Bank survey of Russian firms of all ownership categories indicates that 58% of *de novo* firms in the private sector are owned by managers, 26% are owned by individuals ("outsiders"), and 6% are owned by workers. The owner-manager firm--mainly small and medium size enterprises (SMEs)--appears to be the dominant form for private *de novo* Russian enterprises.

There are 845,000 registered SMEs in Russia, generally defined as business establishments with less than 250 employees (of which "small" firms are defined by law as establishments with less than 100 employees). This is four times the number a decade ago. Most SMEs operate in services, trading and public catering. SMEs employ about 13% of the Russian labor force, and produce about 12% of GDP; however, these figures are likely to be inaccurate since much small business activity is still in the informal economy and thus goes largely unreported. Still the fact remains that in comparison with other countries in the region, Russia's SME growth has been severely limited. The percentage of national employment accounted for by SMEs in the Czech Republic is 37%; in Georgia 58%, and in Macedonia 37%; SMEs account for 53% of US employment, 80% of Italy's employment, and 69% of France's employment. Importantly, the geographic distribution of SMEs in Russia is highly skewed. Whereas Moscow accounts for 22% of all SMEs, and St. Petersburg accounts for 10%, 28 subjects of the Federation each account for only about 0.5% of the total.

Economic Barriers to Entry. In certain industries, the technology fundamental to the production process naturally gives rise to economies of scale, where unit costs decline as output expands to meet market demand; in such industries these *scale economies* are a barrier to entry since it is unlikely that multiple businesses can all attain the minimum efficient scale to be commercially viable. There are likely to be significant scale economies in certain segments of the infrastructure monopoly sectors in Russia (as elsewhere). However, in most of the manufacturing sector, scale economies are unlikely to be as pronounced relative to market demand and thus, absent policy-induced constraints, such economic barriers to entry are likely to relatively modest, and some in cases, relatively low. This is true in Russia as it is worldwide. *Product differentiation* becomes an entry barrier when incumbent firms enjoy brand loyalty among consumers, making it difficult for potential rivals to become commercially viable because of the need to invest heavily in advertising and/or by charging significantly lower prices. Like many other transition countries, to date brand loyalty among Russian firms is not strong and product differentiation is unlikely to be an entry barrier. The advantages that come with the successful diffusion of *innovation* can also serve to prevent new entry. Much depends on the embedded technological prowess of firms and on whether there is a patent system in place that helps to protect and reinforce that prowess through the granting of exclusive production and marketing rights. As in most transition economies, technological innovation is not a an impediment to entry in Russian industry, and there does not exist an effective patenting system. If anything, entrants displaying technological prowess have an easier time entering Russian markets. Finally, there is the case where *endowments of natural resources* can act as an entry barrier. During an industry's development, firms that locate and exploit such deposits first will have a strategic market advantage over those seeking entry later (unless or until new resource deposits are discovered or the initial firms decide to license otherwise exclusive access rights). Norilsk Nickel is a case in point.

Institutional and Administrative Barriers to Entry. _Registration and Licenses._ Although the business license process varies among Russia's regions, the average new business applicant must deal with 20-30 agencies and receive 50-90 approved registration forms. There are 30 different kinds of licenses for a business start-up. In the WB-RAS survey, 12% of the firms indicated that in the past year they had applied for a new license but had been unsuccessful. Thirty four percent of the surveyed firms indicated they were forced to obtain a license that in their opinion was not legally required, and 13% indicated their enterprises paid license fees in excess of what is legally required. Against this backdrop, it is not surprising that the licensing process is fertile ground for corruption (see more below). An anecdote that one entrepreneur paid $7,000 equivalent for a license, of which only $800 equivalent went to government, is not atypical. Firms that specialize helping new businesses navigate the registration process have become a new growth industry.

Warehousing and Distribution Networks. While private entry has taken place in retail and commercial activities, the state owned sector still plays a major role in distribution. Moreover, outside the major Russian cities, there are either very poor or non-existent warehousing facilities. The situation is particularly acute for refrigeration facilities, placing severe handicaps on transshipment of perishable products across regions. The physical condition of inter-city roads is significantly poor, often far below that found in other countries in the region, making long-haul trucking an extremely expensive and difficult mode of transportation. Railroad freight rates have traditionally been high in order to subsidize rail. passenger traffic. Potential entrants in the distribution and warehousing sector confront not only the usual licensing and other policy-induced start-up difficulties facing any new business in Russia, especially entry barriers posed by neighboring local administrations, but also must deal with organized crime, which is quite active in this sector.

Corruption. Surveys indicate that corruption as a barrier to entry in Russia is pervasive; virtually all firms pay bribes to tax inspectors, customs officers and a host of local bureaucrats.[6] Indeed cross-country evidence suggests that Russian SMEs operate in a business environment that may be worse than most transition economies. On average it takes four times as long to establish a small enterprise in Moscow than it does in Warsaw, that Russian SMEs are subjected to twice as many yearly inspections than their Polish counterparts, and that the number of regulatory agencies involved in SME development in Russia is half again as many as there are in Poland. A recent OECD survey reveals that SME managers in Russia are subject to manipulation by local authorities of 40 to 50 tax rates and deductions. But official taxes are not the only levies new Russian businesses have to pay. Many small enterprises have to pay the mafia to survive. The local press is replete with stories of entrepreneurs paying for a "roof" (*krysha*) for protection. One story reported that mafia levies commonly start from 5% of profits but are often higher, and are usually collected as a flat monthly fee. There is also the threat of violent crime against entrepreneurs: in the WB-RAS survey, 16% of the General Directors indicated they are “very worried” about becoming a victim of violent crime.

Capital Barriers to Entry. In almost any country it is difficult to persuade banks or other financial institutions to back a start-up business; in transition economies, where capital market imperfections are pronounced and institutions that intermediate savings into investment capital are typically nascent, the problem is particularly acute. Like many other countries in the region, in Russia bank loans for new businesses—if they are available at all—are short-term, typically for 6 months term, and expensive. As a result, most SMEs are started from personal savings. According to the official statistics, only 15% of small businesses in Russia in recent years have received bank credits. Mortgages are not widely practiced and there are only initial steps in leasing equipment.

Dispute Resolution. In Russia (like other transition economies), contracts are hard to verify and enforce. In a word, private property rights are not secure or credible. The lack of efficient methods to resolve commercial disputes substantially increases the cost of entry. Most business people in Russia prefer to resolve differences among themselves rather than bring cases to court. Most importantly, the regulatory regime governing enforcement of compensation for successful plaintiffs collecting debts is weak. This places the burden on the plaintiff for debt collection, where the mafia is often instrumental. Up until recently, plaintiffs have had to pay an advance fee equivalent to 10% of the suit; new rules set the fee at 5%, with fees decreasing as claim size increases.

Land and Real Estate. New startups are hindered by restricted access to commercial real estate due to monopoly ownership and control over urban land by municipal administrations. In theory enterprises have the right to privatize associated land plots; in practice, procedures are unclear. Less than 1% of the land under privatized enterprises has been privatized. Firms cannot realize the value of the land via mortgage, lease, or sale, nor can they restructure effectively by modifying structures since control rights over land flow only from the ownership. The failure to assign clear rights over unoccupied and undeveloped urban land is another restriction.

Taxes. Surveys show that all businesses in Russia complain about their tax burden, and that the burden on SMEs is particularly harsh. Although the smallest enterprises benefit from some tax concessions (the size threshold for such benefits varies across locales, and benefits often are subject to negotiation and political connections; statutorily, firms with fewer than 15 employees generally get concessions), most SMEs (above 100 employees) have to pay a profit tax. But it is the sheer number of other taxes--ranging from advertising taxes to computer resale taxes--and the time needed to process the required paperwork on a monthly basis that represent a sizable operating cost, thus threatening the survival of new entrants. That taxes can be negotiated (especially at the local level), reduces the stability, predictability and transparency of the tax regime.

IV. POLICY PRINCIPLES

Proactive Policies Towards Incumbents. As market reforms continue, and budget constraints continue to harden—ensuring that the prices firms pay for inputs and charge for outputs are in cash, timely, and free of all subsidies (including direct budgetary subsidies and off-budget sources of support, such as permitting tax arrears and soft bank loans)—inefficient large incumbent enterprises (particularly those still in the state sector) will likely decline in importance. But based on international experience, *proactive* polices are needed to both foster the horizontal and vertical restructuring of such firms and redress the problem of regional market segmentation. The main components of a proactive program are under the general rubric of competition policy, which focuses on de-monopolization and dis-integration of dominant firms; prohibiting mergers and acquisitions that reduce the number of sellers and increase structural dominance; penalizing for restrictive business practices, such as collusion, price fixing, predatory pricing to drive out competitors or deter entrants; and protecting consumers from unfair trade and false advertising practices. Worldwide, effective implementation of such policies has proven to be difficult and the record of success is mixed. It is particularly challenging in a large, complex economy such as Russia's. Even with improvements in Russia's competition policy regime, implementation regarding incumbents will take time due to the significant political economy costs that large restructurings will entail.

Proactive Policies Toward New Entrants. Reducing structural barriers to entry, more progress on which can be done in the short- to medium-run, is the other main prong of proactive competition policy. New entrants increase competitive pressure on privatized companies and remaining SOEs. Even when incumbent firms have attained dominance, facilitating entry (or allowing for the credible threat of entry) can help instill competitive performance, especially in markets where sunk costs are relatively small and thus exit can be effected should demand soften.

Freeing up entry can help make such markets contestable. Entrants are a source of growth through employment creation, not only due to new business development, but also in providing the absorption capacity as restructured firms shed labor and other resources. Entrants have played such a role in many transition economies. Poland provides strong evidence on this score. Between 1992 and 1995 industrial output in Poland increased by 34%, and private entrants accounted for 2/3 of this increase.[7] Evidence from the vast majority of transition economies indicates that new entrants engender other benefits: they bring modern techniques and entrepreneurship skills; they utilize new plant and equipment; and they employ incentive structures that provide for market-oriented corporate governance practices.

Reducing entry barriers through greater openness to imports and foreign direct investment (FDI) is especially critical. Yet while liberalization toward imports and FDI can be the primary tool of competition policy in small open economies, such as the Baltics, for the larger transition economies, such as Russia, trade and FDI policy reform must be coupled with other policies to enhance structural competition within the *domestic* market. Empirical evidence shows that even in the tradable sectors this is true: without competitively structured distribution networks, the impact of import competition is significantly muted because distribution services are location-specific, and thus trade and FDI become segmented by geography and transportation costs.

With respect to promotion of SMEs, as a general rule there is no economic rationale for policy to favor a particular business ownership form or size. At a minimum, a policy of neutrality is called for. This in itself would suggest a reorientation of the policy regime to reduce the bias against SMEs and eliminate the regulatory and institutional barriers to entry in the Russian economy. On the other hand, in Russia (as in other transition economies), where market failures are pronounced, SMEs generate, perhaps uniquely, positive externalities that can address these market failures. As noted earlier, by dint of their size and their ability to fill easily market niches, SMEs offer a source of flexibility in business development. This is needed especially in the process of transition where experimentation is critical. Evidence from other countries suggests that whereas initially SMEs tend to occupy the retail sector, over time SMEs have become significant players in manufacturing. Because SMEs represent employment outlets for a rational downsizing of the public sector they add to stabilization. Finally, growth in the SME sector is characterized less in terms of expansion of incumbent firms (which is typical for growth in the large-firm sector) and more in terms of *de novo* entry and the introduction of new products and processes. It is on these grounds that a regime to financially promote SME development can be justified. However, such a regime should have not only *limited objectives* and be *transitory,* but it also should be seen as *a supplement* to policies that eliminate regulatory and institutional barriers to entry. International experience is replete with examples that small business promotional programs often lead to the creation of new bureaucracies that survive years beyond their useful lives.

V. POLICY RECOMMENDATIONS

Make Structurally Dominant Markets Contestable for New Entrants. Despite progress in recent years, Russia still faces the challenge of designing a robust enforcement regime to deal with horizontal and vertical structural market imperfections among incumbent industrial firms. In short, creating contestable market conditions should be the first line of offense in compelling competitive performance. In reducing administrative and institutional barriers to entry, priority attention and resources should be directed toward those markets where there is already significant structural dominance; other markets can be dealt with subsequently. In addition, reduction of entry barriers must be focused not only on creating favorable conditions for new competitors domiciled *within* a regional market, but also on creating such conditions so that potential competitors based in *other* geographic markets can sell or invest in the regional market in question. This is critical to neutralize the regional segmentation of markets. It means that stronger enforcement authority must be realized at the *federal* level to deal with the anti-competitive practices of local governments.

Enforce Merger Guidelines. Resources should also be directed at preventing further horizontal and vertical consolidation through mergers and acquisitions in markets where structural dominance and autarky are already excessive. This should be the first of line of defense. Initiatives here can build on scrupulous enforcement of MAPSE's system regarding assessment of mergers, i.e., its new merger guidelines. Enforcement of the guidelines is critical, and steps must be taken to maximize transparency, credibility and predictability of the merger/acquisition policy regime so as to not hinder a "market for corporate control" and the rechanneling of assets to higher values in use. But a balance must be struck between, on the one hand, prohibiting excessive enterprise integration that engenders the exercise of market power, and on the other, fostering sufficient integration that permits the realization of technical economies of scale and scope.

Strengthen Local Level Rules-Based Competition Policy Institutions. Experience in both Russia and elsewhere shows that when implemented poorly, i.e., as a new source of discretionary authority, competition policy can do great harm. While Russian competition law is, for the most part, up to par with international standards, the institutional regime for its implementation and enforcement responsibilities is weak and subject to excessive discretion, especially in light of the power and involvement of sub-federal governments in promoting regional industrial policy. Several steps could be taken. The Government at the very highest levels should review the mission of the current MAPSE, with a view towards developing, in consultation with renowned international experts, recommendations to introduce a rules-based competition policy institutional regime at the sub-federal level of government.

Implement Rules-Based Streamlined Business Licensing at the Federal and Local Levels. Measures should be enacted to narrow the legislative requirements for business licenses. Also measures need to be enacted that address the problem that the setting of license fees is subject to the discretion of local authorities, which results in price discrimination and arbitrary rule. Reforms here are a top priority. They should be based on other countries' experiences and on enacting legislation that sets precise, streamlined limits at all levels of government on the time and money required to get a business license in most sectors, and codifies sizeable criminal sanctions for officials who violate this rules-based system. For certain sectors, such as human health, the environment and national security, more stringent procedures could be applied.

Establish Mechanisms to Enforce Private Property Rights and Foster Dispute Resolution. Even when appropriate legislation exists, the courts are unable to enforce procedures and outcomes. It is important to strengthen the legal/judicial framework to allow for secure property rights and adequate contract enforcement. The new bailiff service recently authorized by law (*sudebnye pristavy*) should be strengthened and given the authority to enforce automatically compliance by losing defendants.

Combating Corruption. Many countries have paid increasing attention to the problem of corruption, and the debate on possible policy options is on-going. There is no single solution. Recent insights suggest that corruption arises when institutions have monopoly positions, there is the ability to exercise discretion and incentives for accountability are weak. Additional laws themselves are unlikely to bring about significant reduction in corruption. Effective reform must be directed to changing the system: (i) introduction of independent oversight of agencies; (ii) clarifying and making transparent how much official discretion can be exercised; and (iii) utilizing penalties and rewards for conduct.

Rationalize the Tax Regime. Business taxes can be simplified further through the Tax Code: (i) reducing the number of taxes and (ii) making tax rules more transparent and less ambiguous. Stability of taxes can be enhanced through: (iii) keeping changes to a minimum and when there are changes, grandfathering existing investments for a fixed period, and (iv) prohibiting retroactive applications of laws and regulations. These changes will help reduce discretion and intervention by local tax officials. Confidentiality of taxpayer information can be ensured through (v) legislation that specifies criminal sanctions for official breaches.

Liberalize Ownership and Access to Land and Real Estate. The Government should renew its commitment to work with the Duma to ensure passage of a comprehensive Land Code for the free transfer, ownership and user rights of land. The Government should also accelerate current efforts to create a state system for registering real estate rights and transactions as well as creating a base of standards for a system by which to ensure rights of ownership of real estate, including the institution of title guarantees and insurance.

Bring the Foreign Direct Investment Policy Regime in Line with International Best Practice.. The Government should continue to bring the policy regime governing FDI in line with international best practice: (i) national treatment for foreign investors; (ii) binding international arbitration for investor-State disputes; (iii) substantial reduction in restricted sectors and limitations on FDI in other sectors; (iv) freedom for profit remittances; (v) expropriation only for a bona fide public purpose and with prompt, adequate compensation; and (vi) and an absence of trade-related-investment-measures (TRIMs).[8]

Promotional Policies for SMEs. Introducing a system of targeted SME support through subsidized lines of credit, is likely to be counterproductive. Such a regime undermines market-based reforms of the banking sector and the strengthening of the commercial intermediation role of banks. Worse, particularly in the context of a weak property rights, it breeds corruption. Support programs that can be helpful include (i) providing equity participation in venture capital and investment funds; (ii) funding of local banks providing commercial based credit to SMEs; and (iii) co-financing with local banks of SME projects. A (iv) government-sponsored "one-stop-shop" information network and clearinghouse of market opportunities and relevant regulations and legislation for SMEs also could be created on a local basis and coordinated at the federal level to ensure consistency nationwide.

ENDNOTES

[1] The focus of this paper is Russia's manufacturing sector; it does not address the infrastructure monopolies (what the Russian authorities refer to as the "natural monopolies"). This paper is a shortened version of Broadman (2000).

[2] In addition, barriers to exit through the bankruptcy process remain high (see Mirsky, 1999); corporate governance structures and incentives diverge from market principles; and a substantial portion of transactions is carried out through barter and non-monetary instruments (see Hendley, Ickes and Ryterman, 1999).

[3] See, for example, P. Joskow, R. Schmalansee, and N. Tsukanova, 1994.

[4] Analysis of these data was carried out by the author and James Anderson.

[5] See A. Brown and J. Brown, 1998.

[6] See T. Frye and A. Shliefer, 1996; and World Bank 1997.

[7] See Gomulka 1997.

[8] For recent analysis of Russian trade and FDI policy and suggestions for reform, see Bergsman, Broadman and Drebentsov (1999).

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