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RUSSIA IN POLITICAL AND ECONOMIC COUNTRY RATINGS

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Analysis

Russia in Political Country Ratings: International Comparisons of Democracy, Rule of Law, and Civil Rights

Heiko Pleines, Bremen

Summary

A series of ratings established by Freedom House, the Bertelsmann Foundation, Transparency International, and other non-governmental organizations (NGOs) attempt to assess the political situation in the countries of the world through regular quantitative rankings. This article investigates how Russia fares in these ratings. The numbers generally confirm the widespread perception of increasing authoritarian tendencies. At the same time, a distinction within the CIS countries can be observed. Russia's rating is approaching that of Belarus, while Ukraine continues to be assessed in an increasingly positive light. However, the ratings also indicate the necessity of differentiating between various policy fields. In the area of corruption, for example, there are no relevant differences over time or among CIS states. It should also be noted, however, that the explanatory power of the ratings is limited by methodological problems and, particularly, by the subjective nature of the indicators being collated.

Ratings: Aims and Procedures

Since *Freedom House* began assessing the extent of freedom in the countries of the world in 1972, the idea of handing out "report card"-style audits to entire societies has won increasing numbers of supporters. In the last decade, several organizations launched new projects which systematically and comparatively assess the political state of affairs. As a result, the areas under investigation are being increasingly differentiated and the rating systems are becoming increasingly complex.

Whereas the first Freedom House project, *Freedom in the World*, only differentiated political and civil rights, the organization's *Nations in Transit* series, begun in 1995, now encompasses seven topic areas ranging from "democracy and governance", "electoral process", "independent media", "civil society", and "corruption" to "judicial framework and independence". The *Bertelsmann Transformation Index*, which was introduced in 2003, evaluates nearly 40 indicators. The *Global Integrity Report*, which was first issued in the same year, tracks almost 300 indicators, but due to this in-depth level of investigation, only covers a small number of countries. In addition, there are several ratings that consciously focus only on certain aspects of a political system, such as freedom of the media or corruption.

The increasing number of indicators has also complicated the evaluation process. Whereas the first Freedom House ranking simply offered scores from 1 through 7, the newer indices are based on composite values which allow for a differentiated ranking of all countries in the world.

All political country ratings primarily refer to the ideals of democracy, human rights, and the rule of law,

and assess the extent to which individual countries meet these ideals. Perfect democracies with rule of law thus receive the highest marks, while dictatorships are generally at the bottom of the tables. Some rankings, however, also take into account the rulers' management qualities or other indicators based on socio-economic and economic policy criteria.

Most of the rankings are based on expert assessments. As a rule, one or two experts write up a country study, which is subsequently reviewed and, if necessary, corrected by other experts. The experts are generally well acquainted with the country in question in their capacities as scientists or journalists. Alternatively, some indices such as the *Corruption Perception Index* published by Transparency International evaluate opinion surveys collected from the population or from economic experts. As a reaction to the increasing number of indices, the World Bank has created a meta-index. *Worldwide Governance Indicators* summarize the results of a total of 31 indices under the heading of a new index.

The documentation starting at p. 7 offers an overview of the country ratings. In the following, we will examine the results that these ratings have returned for the case of Russia. We will show how the assessments have changed since President Vladimir Putin came into office in 2000, and will also compare the current political situation in Russia with the state of affairs in its post-Socialist neighbors.

A Chronological Comparison: From Yeltsin to Putin

One key aspect of how the political climate under President Putin is assessed is the comparison

with his predecessor, Boris Yeltsin. The ratings generally support the perception of increasing authoritarian tendencies on the path from Yeltsin to Putin, which is widespread in the Western media.

In its *Freedom in the World* ratings of 2005, Freedom House downgraded Russia from “partly free” to “not free”. According to the *Nations in Transit* rating, there has been a clear deterioration in the “electoral process” category, where the index value declined from 3.5 in 1997 to 6 in the year 2006, thus approaching the value of 7 for the worst authoritarian states. The same development can be observed for the “civil society” category, and the “independent media” rating is moving in a similar direction. There are no observable changes in the “judicial framework and independence” and “corruption” indices, however – mainly because the situation in these areas had already been assessed as catastrophic in the late 1990s.

The corresponding *Worldwide Governance Indicators*, published by the World Bank, also display only minor changes in the areas of “control of corruption” and “rule of law”. The *Corruption Perception Index* (CPI), published by Transparency International, does not show an increase of corruption under President Putin, either. The index value for 1998 is more or less identical to the one for 2006. Therefore, in the specific area of corruption, the indicators contradict the widespread perception, in Russia as well as in the West, of the situation having deteriorated in the past years. One should note, however, that Transparency International questions the methodological soundness of this comparative interpretation of the CPI over time.

Countries in Comparison: Russia and Its Neighbors

The political developments in Russia must also be regarded in the regional context. For example, Poland, as a new EU member state, is generally awarded noticeably better grades than Russia. But considerable differences can also be observed within the CIS. In particular, since 2005, Russia has clearly been falling behind Ukraine and is moving towards the position occupied by Belarus, according to several rating scales.

In the *Bertelsmann Transformation Index*, Russia continued to be ranked 47th in the 2006 evaluation, the same position it had had in the 2003 study, while Ukraine had improved its standing from 44th to 32nd rank. The number of countries evaluated grew from 116 to 119, but this change had no impact on the relation between Russia and Ukraine. The *Freedom in the World* 2006 ranking assessed Ukraine as having improved in terms of “political rights” from 4 to 3, while

Russia was in 2005 downgraded to 6 and Belarus to 7. In the category of “civil liberties”, Russia’s score remained at 5, while that of Ukraine improved from 4 to 2 between 2004 and 2006. Belarus’s civil liberties rating was 6.

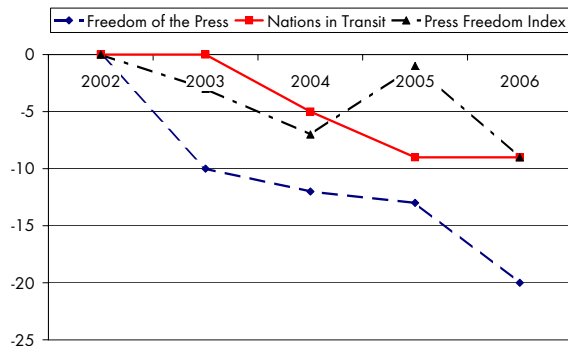
The divide between Russia and Ukraine is most apparent in the *Nations in Transit* rating in the categories of “electoral process” and “civil society”. Whereas the values for Ukraine have consistently been approaching those of Poland since 2004, the corresponding values for Russia in 2006 were almost as bad as those of Belarus. The development in both *Nations in Transit* and the *Worldwide Governance Indicators* is much less straightforward for the topics of “rule of law/judiciary and corruption”. As far as these areas are concerned, the three CIS states are at the same level, far behind Poland.

In summary, the results of the democracy tests are devastating for Putin’s Russia. Particularly in the areas of “media freedom”, “civil society”, and “elections”, the ratings allow us to attribute responsibility for the deterioration directly to developments during Putin’s presidency. In the area of “rule of law/judiciary” and “corruption”, on the other hand, the situation had already reached the current deplorable state when he took office.

Comparing Apples and Pears? Remarks on Methodology

It should be noted that some researchers contest the explanatory power of these ratings. While many academics use country rankings in order to compare democratization processes internationally and to identify causal factors in successful transformations, others view such rankings as public-relations stunts or even as misleading. The limits of their explanatory power can be seen when comparing several indices that purport to measure the same variables. Since 2002, the freedom of the press has been assessed by as many as three independent ratings, namely *Freedom of the Press Rating* (Reporters without Borders), *Nations in Transit – Media*, and the *Press Freedom Index* (both from Freedom House). The following diagram (overleaf) illustrates the development of the respective index values in percentages, as transposed into a single unified scale. All three graphs indicate deterioration in the freedom of the press. However, the significant discrepancies in the development of the individual indices also illustrate the limitations of quantifying the freedom of the press.

Another weakness of country ratings is that short-hand representations in the news media overstretch the explanatory power of such indices. This is particularly



true of the *Corruption Perceptions Index*, published by Transparency International, which is regularly described in the mass media as a ranking of the world's most corrupt countries, with development trends being indicated by comparison with the previous year. In its notes on the index, Transparency International denounces both of these uses as inadmissible. The index only measures perceptions, not actual corruption. Studies have demonstrated that this is a significant distinction. Direct comparisons with the values for the previous year are not admissible because of variations in sources used, changes in how averages are calculated over several years, and other methodological problems.

The World Bank also tones down the applicability of its *Worldwide Governance Indicators* in the fine print. The section on "frequently asked questions" states that changes in country rankings over time may be caused by four different factors. Three of these are related to

changes in surveying methods and are not connected to the development of the country in question. In conclusion, it is stated that two of these factors "typically only have very small effects on changes".

In assessing the explanatory power of the country ratings, what is more important than methodological questions on indexing is the fact that they rely on the subjective appraisals of experts. These experts derive their opinions from journalistic publications and from their own personal assessments as academics, journalists, and business professionals; as a rule, they have no access to other non-public sources. At the same time, the experts, who generally only scrutinize one country, are limited in their ability to draw comparisons between different countries. Therefore, there is no guarantee that two experts assessing different countries that are on the same level of development will award the same rating to their respective countries.

Accordingly, the *World Bank*, for example, declares: "We recognize there are limitations to what can be achieved with this kind of cross-country, highly-aggregated data. Therefore, this type of data cannot substitute for in-depth, country-specific governance diagnostics as a basis for policy advice to improve governance in a particular country, but should rather be viewed as a complementing tool." This is probably also why most organizations supply extensive country studies together with their country rankings. These, however, generally tend to be disregarded by the media and the general public.

Translated from German by Christopher Findlay

About the author:

Heiko Pleines is a research associate at the Research Centre for East European Studies at the University of Bremen. He works as an external expert for the *Bertelsmann Transformation Index*, the *Global Integrity Report*, and Transparency International.

Opinion

Freedom House – The Annual Survey of Political Rights and Civil Liberties

Christopher Walker, New York

Through a number of analytical publications, Freedom House calls attention to global trends in freedom and democracy. Beginning in 1973 with *Freedom in the World*, Freedom House's annual survey of political rights and civil liberties, Freedom House has published comparative surveys and special reports focused on the state of democracy and human rights around the world. Freedom House also publishes *Freedom of the Press*, an annual report on media independence around the world; *Nations in Transit*, which examines democratic development in Central and Eastern Europe and the former Soviet Union; and *Countries at the Crossroads*, which examines democratic governance in 60 key countries that are at a crossroads in determining their political future. These surveys and reports are produced by a team of regional and country experts, consultants, and staff editors. Each survey is the product of a rigorous methodology developed by prominent experts in political science, economics, human rights, and press freedom.

Freedom in the World evaluates the condition of freedom in each of the world's 193 countries. The survey enables scholars and policymakers to assess the state of freedom in specific countries, along regional lines, and globally.

Freedom in the World includes both analytical reports and numerical ratings for 193 countries and 14 territories. Each country and territory report includes an overview section, which provides historical background and a brief description of the year's major developments, as well as a section summarizing the current state of political rights and civil liberties. In addition, each country and territory is assigned a numerical rating—on a scale of 1 to 7—for political rights and an analogous rating for civil liberties; a rating of 1 indicates the highest degree of freedom and 7 the least amount of freedom. These ratings, calculated through an extensive methodological process, determine whether a country is classified as Free, Partly Free, or Not Free by the survey. The survey findings are reached after a multi-layered process of analysis and evaluation by a team of regional experts and scholars.

Freedom House makes available the scores of the seven broad categories that make up the backbone of the survey methodology. These subdata scores enable scholars and the policy community to assess specific categories of democratic performance, thus enabling readers to identify the reasons for a country's forward movement or decline as well as its broad trajectory. These data can be found at: <http://www.freedomhouse.org/template.cfm?page=276>

The survey measures such traditional indicators of democracy as press freedom, freedom of belief, and freedom of assembly, and measures such essential freedom components as judicial independence and the de-

gree of openness and competitiveness in elections in a society. To ensure credibility and rigor, each edition of *Freedom in the World* undergoes several layers of review by noted scholars in the fields of human rights, democratization, and regional area studies.

This survey covers developments over the course of a calendar year. The research and ratings process involved two dozen analysts and more than a dozen senior-level academic advisors. The analysts used a broad range of sources of information—including foreign and domestic news reports, academic analyses, non-governmental organizations, think tanks, individual professional contacts, and visits to the region—in preparing the reports.

The country ratings are proposed by the analyst responsible for each related report. The ratings are reviewed individually and on a comparative basis in a series of six regional meetings—Asia-Pacific, Central and Eastern Europe and the Former Soviet Union, Latin America and the Caribbean, Middle East and North Africa, Sub-Saharan Africa, and Western Europe—involving the analysts, academic advisors with expertise in each region, and Freedom House staff. These reviews are followed by cross-regional assessments in which efforts were made to ensure comparability and consistency in the findings.

The release of findings from the 2007 edition (which evaluates events for the year 2006) of *Freedom in the World* was met with some controversy in Russia. A number of Russian media reports mistakenly characterized Russia's freedom rating in *Freedom in the World*. The Russian press incorrectly reported that Freedom House downgraded Russia in its latest assessment, and declared the state of freedom in Russia to be identical to that of North Korea and Libya.

However, Russia received the exact same rating in 2006 as it did in 2005—a 6 for political rights and 5 for civil liberties (on a scale of 1 to 7, with the lowest score being 7.) Russia has been included in the Not Free category since 2004, as a function of the systematic erosion of rights, including the flawed nature of Russia's parliamentary elections in December 2003 and presidential elections in 2004, the further consolidation of state control of the media, and the imposition of official curbs on opposition political parties and groups within that country. In the latest survey, Freedom House did note with concern that the inde-

pendent media, civil society groups and political opposition, among other independent actors, have come under further repression from the Russian authorities in the last year.

A total of 45 countries—representing a wide range of performance in political rights and civil liberties—are in the Not Free category this year. North Korea and Libya are given the lowest possible scores within that category, a 7 for political rights and civil liberties, and are therefore considered among the world's most repressive regimes.

About the author:

Christopher Walker is Director of Studies at Freedom House.
www.freedomhouse.org

Opinion

Bertelsmann Transformation Index (BTI)

Sabine Donner, Gütersloh

Since 2003, the Bertelsmann Transformation Index (BTI) has measured the progress made by 119 (as of the next issue, 124) transition and developing countries on their path to becoming democracies with rule of law and socially responsible free-market economies. The index also assesses the quality of political governance. So far, there have been two issues of this index (BTI 2003 and BTI 2006), which is intended as a metric of political and economic system transformation. Compared to other indices, the BTI stands out by virtue of its broad analytical approach.

The BTI is published every two years, though one year late in 2006. It is characterized by a clear normative orientation along the guidelines of democracy, the rule of law, and a socially responsible free-market economy; it is based on expert investigative methods that not only collate the available data and information, but also interpret it contextually; and it provides full transparency in terms of data and individual results. Adopting a comprehensive perspective, the BTI not only investigates the political and economic aspects of transformation (status index), but also evaluates the consistency and efficiency with which political actors have implemented reform projects in the individual countries, taking into account the various external preconditions (management index).

The three composite indices of the BTI consist of five criteria relating to political and seven criteria relating to economic transformation (status index) as well as four criteria for political governance (manage-

ment index). The category "political transformation" encompasses more than 18 indicators for the criteria of statehood, political participation, rule of law, stability of democratic institutions, as well as political and social integration. The BTI's measurement of the level of democracy, compared to that of other studies, is based on a conception of democracy that goes far beyond holding free and fair elections and also takes into account the degree of civil society participation and rule of law. The analysis of free-market transformation includes more than 14 indicators for the criteria of socio-economic development levels, regulation of markets and competition, stability of currencies and prices, private property, social order, performance of the national economy, and sustainability. Here, the BTI does not rely only on a set of established core data for macro-economic indicators, but also investigates social and sustainable aspects of economic development.

As the first global index to analyze and compare the governance performance of administrations using independently collected data, the BTI finally assesses a range of criteria including the scope for shaping the environment, resource efficiency, consensus-building, and international cooperation. In analyzing political management, the so-called “degree of difficulty” also takes into account the external structural parameters that have an impact on political activity. These include three qualitative (structural difficulties, civil society traditions, intensity of social conflicts) and three quantitative indicators (level of education, economic performance, institutional capacities of the state).

Crucial factors for the validity and reliability of the BTI include the coherence of assessments, the quality of country surveys, and the integrity and competence of more than 250 national and regional experts who are integrated into the BTI’s assessment process. Based on 49 individual questions, the country experts offer an assessment for each of the 119 countries in terms of their compliance with a total of 17 criteria. This is done not only by awarding points,

but also through country studies that offer comments on the analysis that forms the basis of the assessments. A second country expert, usually from the country in question, comments, critiques, and complements the assessments and offers a second independent, quantitative appraisal. Subsequently, the coherence of the individual values is evaluated in a regional context and in the context of inter-regional conferences. The evaluations are finally discussed and approved in a final evaluation round of the BTI Board, consisting of scientific experts and practitioners in the field of development.

The BTI grading scale ranges from one point (worst) to ten points (best grade). The status index values are derived by means of simply averaging. The management index multiplies the average of criteria assessment with a factor derived from the difficulty level that takes into account the structural conditions of transformation management. The next BTI will be published in November 2007.

Translated from German by Christopher Findlay

About the author:

Sabine Donner works for the Bertelsmann Foundation in Gütersloh as project leader for the project on “Shaping Change – Strategies of Development and Transformation”, which publishes the BTI.

<http://www.bertelsmann-transformation-index.de/16.0.html?&L=1>

Documentation

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Political Indices

Bertelsmann Transformation Index (BTI)

Prepared by: Bertelsmann Foundation (Gütersloh, Germany)

Since: 2003

Frequency: Every two years

Covered countries: 119 developing and transition countries

URL: <http://www.bertelsmann-transformation-index.de/16.0.html?&L=1>

Brief description:

The Bertelsmann Transformation Index (BTI) is a global ranking that analyzes and evaluates development and transformation processes in 119 countries. The BTI analyzes the status of democratization and market liberalization as it evaluates actor's performance in managing these changes. The quantitative data is outlined in two parallel indices: the Status Index and the Management Index.

The Status Index shows the development achieved by states on their way toward democracy and a market economy. States with functioning democratic and market-based structures receive the highest score. The Status Index's overall result represents the mean value of the scores for the dimensions "Political Transformation" and "Economic Transformation". The mean value is calculated using the exact, unrounded values for both these dimensions, which, in turn, derive from the ratings for the five political criteria (Stateness; Political Participation, Rule of Law, Stability of Democratic Institutions, Political and Social Integration) and the seven economic criteria (Level of Socioeconomic Development, Organization of the Market and Competition, Currency and Price Stability, Private Property, Welfare Regime, Economic Performance, Sustainability).

Graph 1: BTI Status Index 2006. Index Values and Rankings

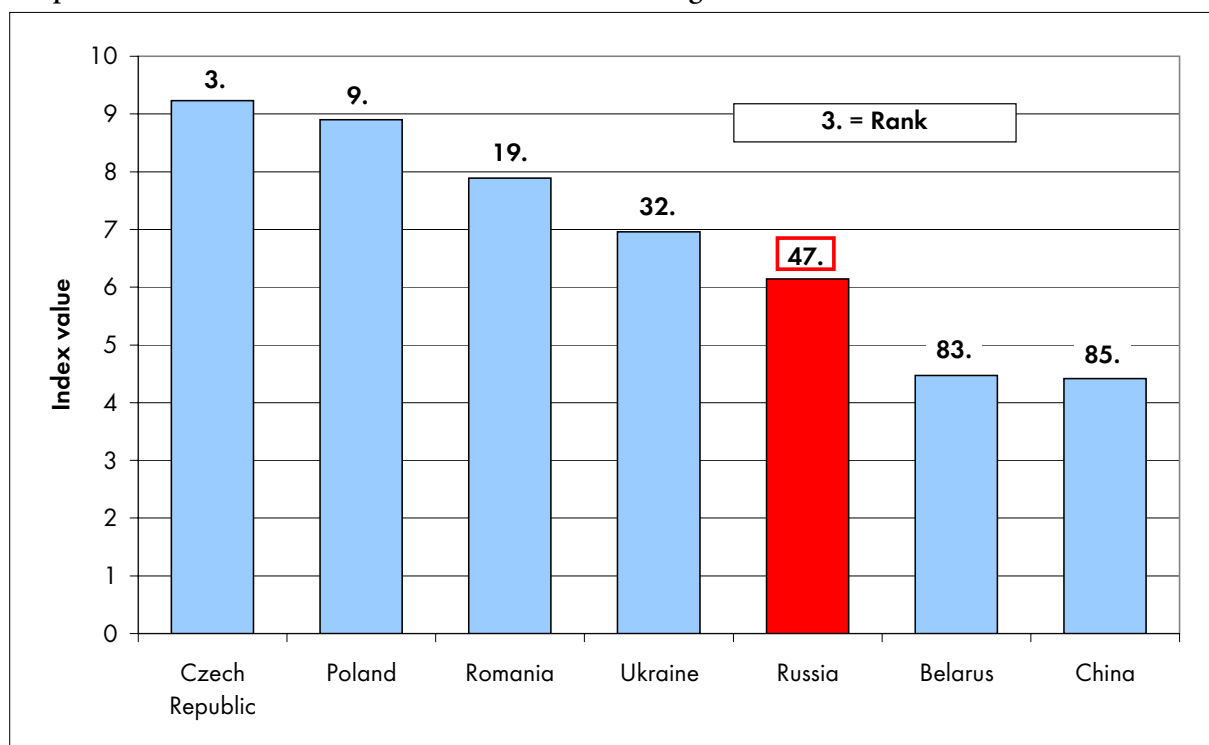


Table 1: BTI Status Index 2003 and 2006. Index Values and Rankings

	2006 Index Value (Ranking)	2003 Index Value (Ranking)
Poland	8.90 (9.)	9.4 (7.)
Ukraine	6.96 (32.)	5.9 (44.)
Russia	6.14 (47.)	6.0 (47.)
Belarus	4.47 (83.)	3.9 (85.)

The Management Index evaluates management by political decision-makers while taking into consideration the level of difficulty. The Management Index's overall result is calculated by multiplying the intermediate result with a factor derived from the level of difficulty evaluation. The intermediate result is obtained by calculating the mean value of the ratings for the following criteria: Steering Capability, Resource Efficiency, Consensus-Building and International Cooperation. The level of difficulty evaluation takes into account the structural constraints on political management. It is obtained by calculating six indicators that evaluate a country's structural conditions, traditions of civil society, intensity of conflicts, level of education, economic performance and institutional capacity.

Graph 2: BTI Management Index 2006

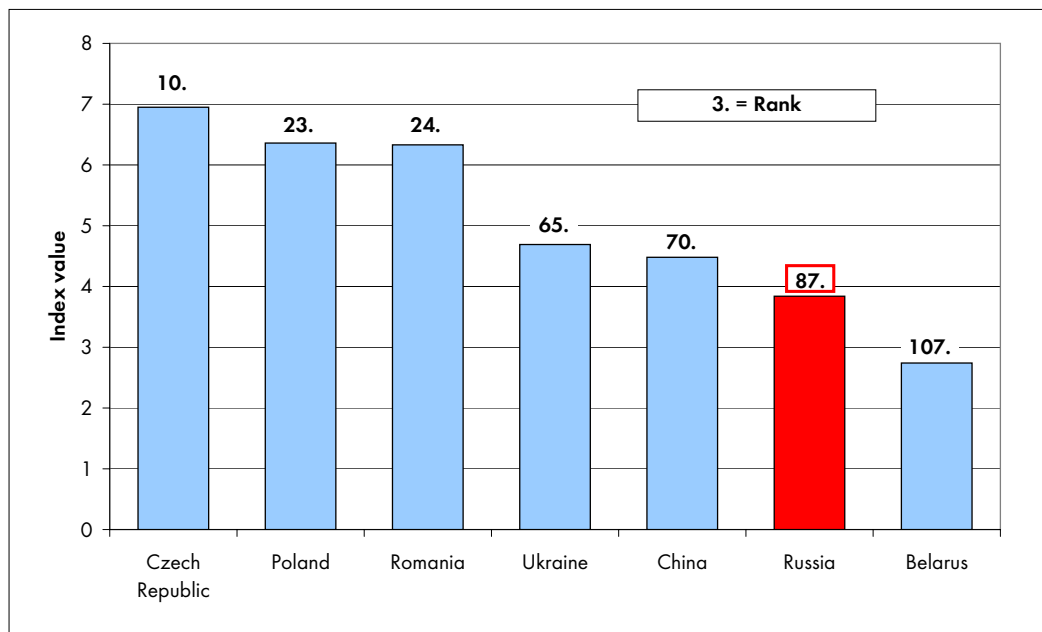


Table 2: BTI Management Index 2003 and 2006. Index Values and Rankings

	2006 Index Value (Ranking)	2003 Index Value (Ranking)
Poland	6.36 (23.)	6.6 (14.)
Ukraine	4.69 (65.)	5.1 (39.)
Russia	3.84 (87.)	5.5 (31.)
Belarus	2.74 (107.)	2.2 (98.)

Freedom House Ratings

Freedom in the World

Prepared by: Freedom House (Washington, USA)

Established: 1972

Frequency: Annual

The data refer to the respective previous year.

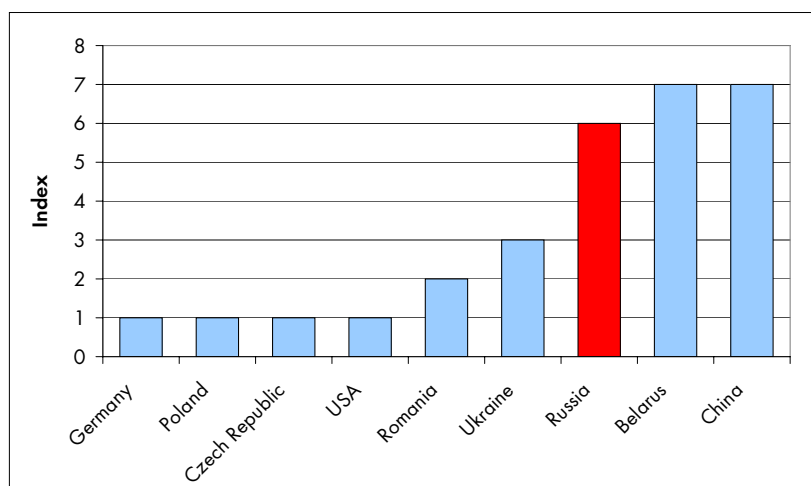
Covered countries: 192

URL: <http://freedomhouse.org>

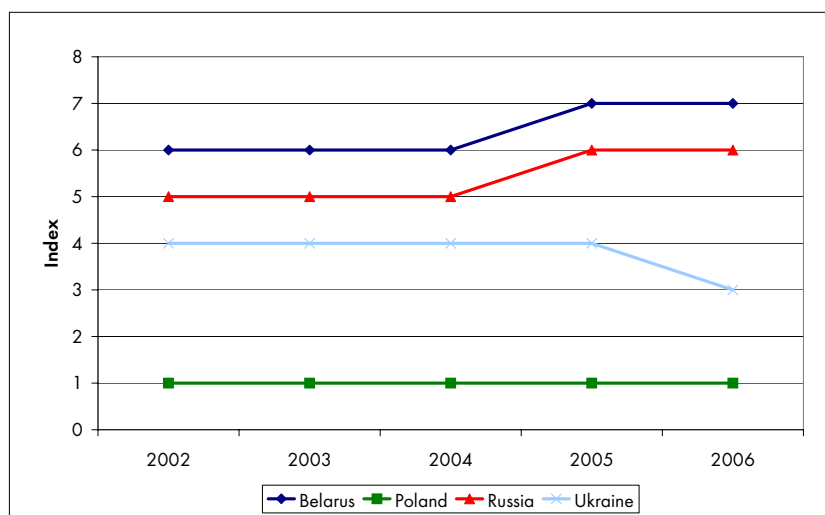
Brief description:

Freedom in the World is an annual comparative assessment of political rights and civil liberties that covers 192 countries and 14 related and disputed territories. Each country and territory is assigned a numerical rating on a scale of 1 to 7 for political rights and an analogous rating for civil liberties; a rating of 1 indicates the highest degree of freedom and 7 the least amount of freedom. These ratings determine whether a country is classified as Free, Partly Free, or Not Free. Seven subcategories, drawn from the Universal Declaration of Human Rights, represent the fundamental components of freedom.

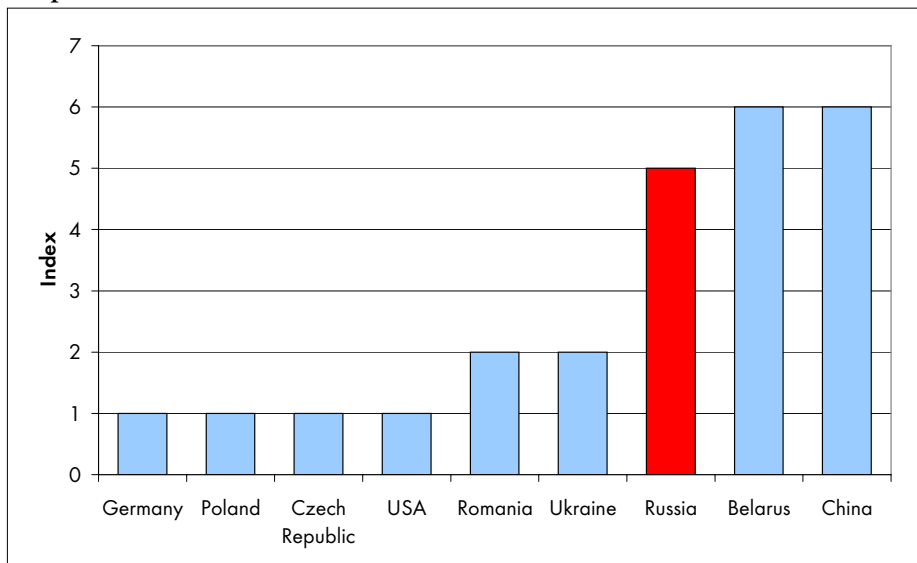
Graph 3: Freedom in the World: Political Rights 2006



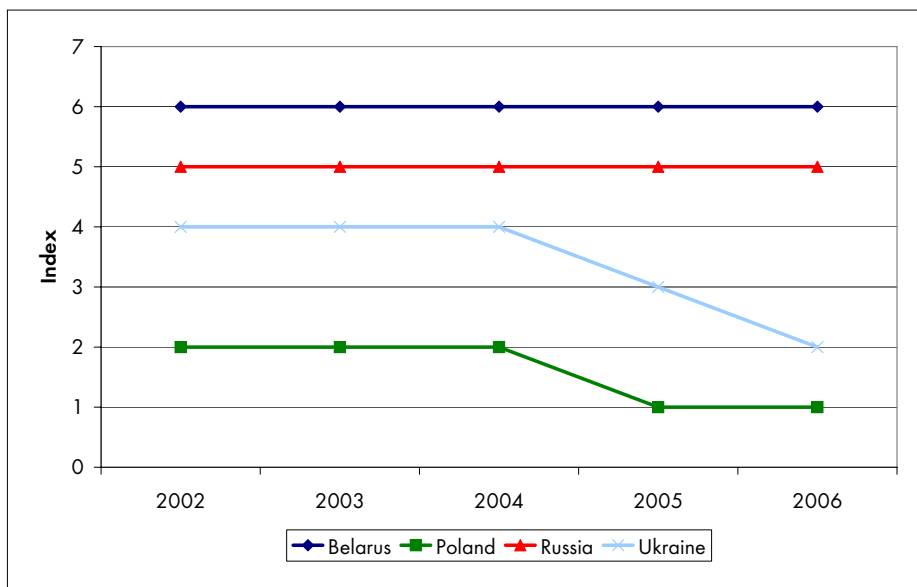
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Graph 5: Freedom in the World: Civil Liberties 2006



Graph 6: Freedom in the World: Civil Liberties 2002–2006



Freedom of the Press

Prepared by: Freedom House (Washington, USA)

Established: 1980

Frequency: Annual

The data refer to the respective previous year.

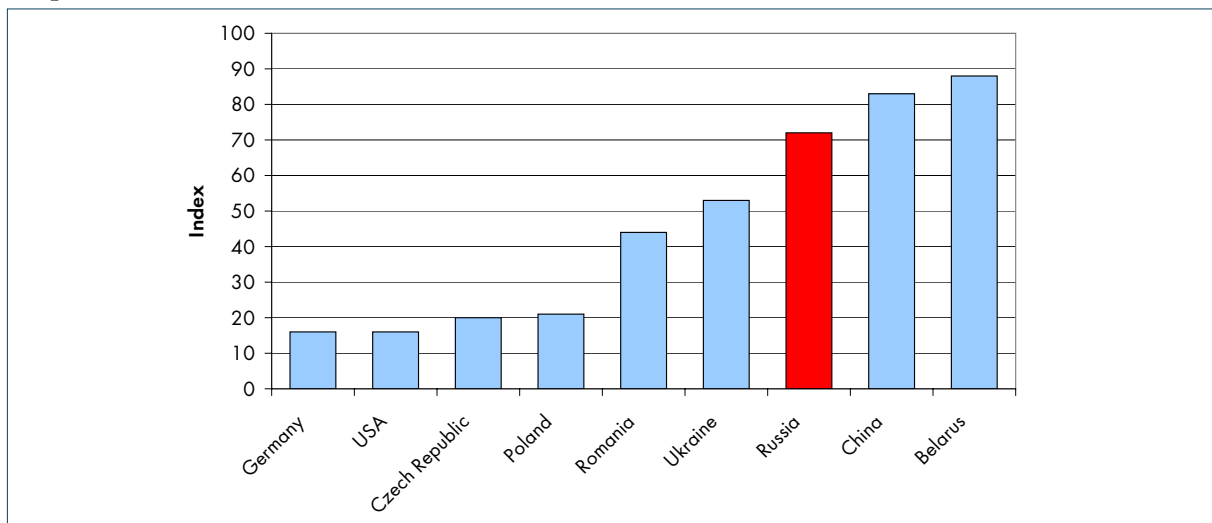
Covered countries: 194

URL: <http://freedomhouse.org>

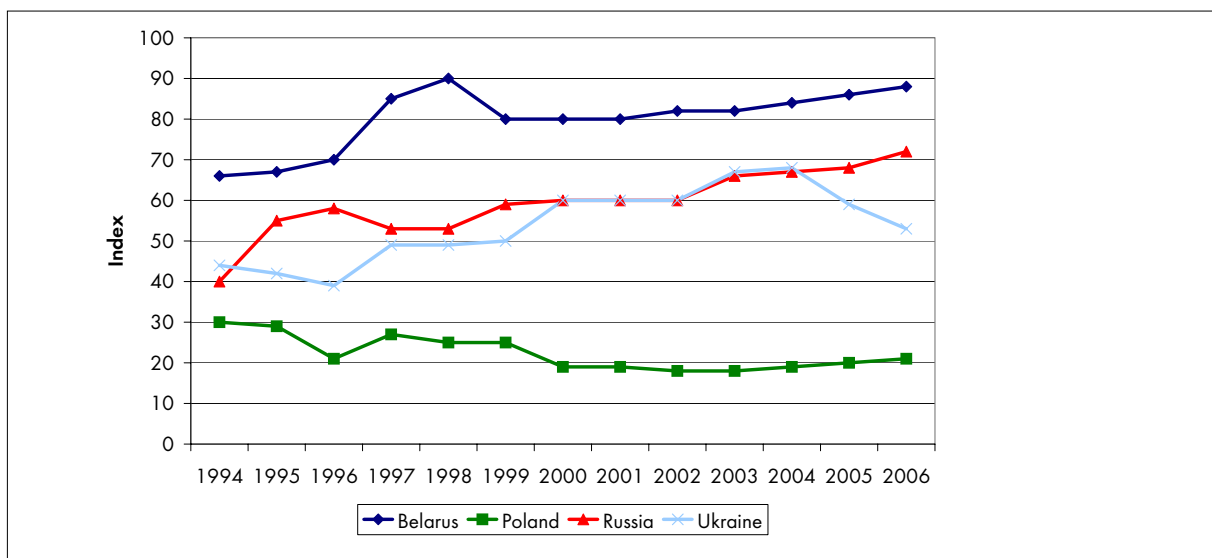
Brief description:

Countries are given a total score from 0 (best) to 100 (worst) on the basis of a set of 23 methodology questions divided into three subcategories. The degree to which each country permits the free flow of news and information determines the classification of its media as “Free,” “Partly Free,” or “Not Free.” Countries scoring 0 to 30 are regarded as having “Free” media; 31 to 60, “Partly Free” media; and 61 to 100, “Not Free” media.

Graph 7: Freedom House: Freedom of the Press 2006



Graph 8: Freedom House: Freedom of the Press 2002–2006



Nations in Transit

Prepared by: Freedom House (Washington, USA)

Established: 1997

Frequency: Annual

The data refer to the respective previous year.

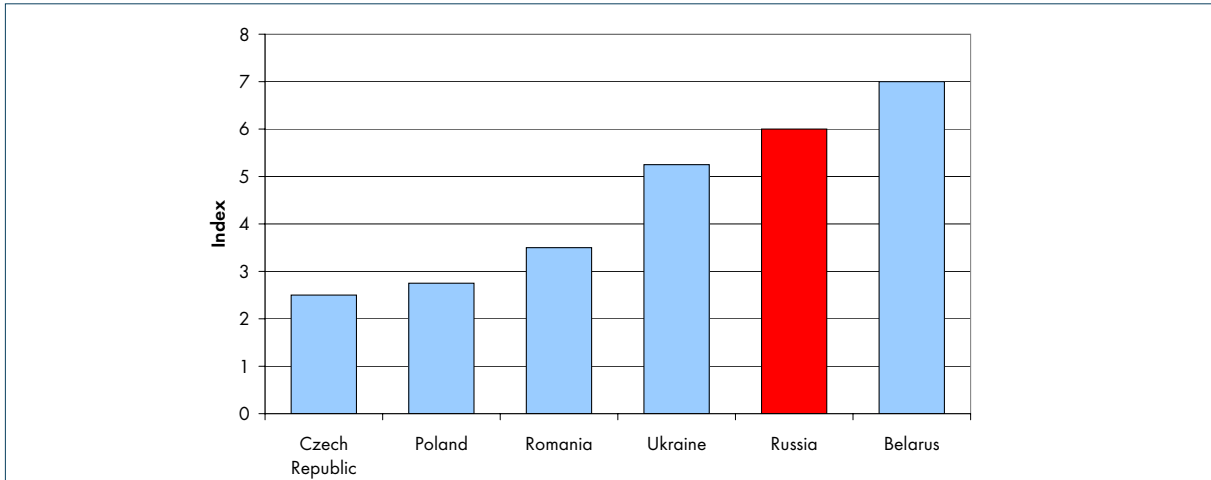
Covered countries: 29

URL: <http://freedomhouse.org>

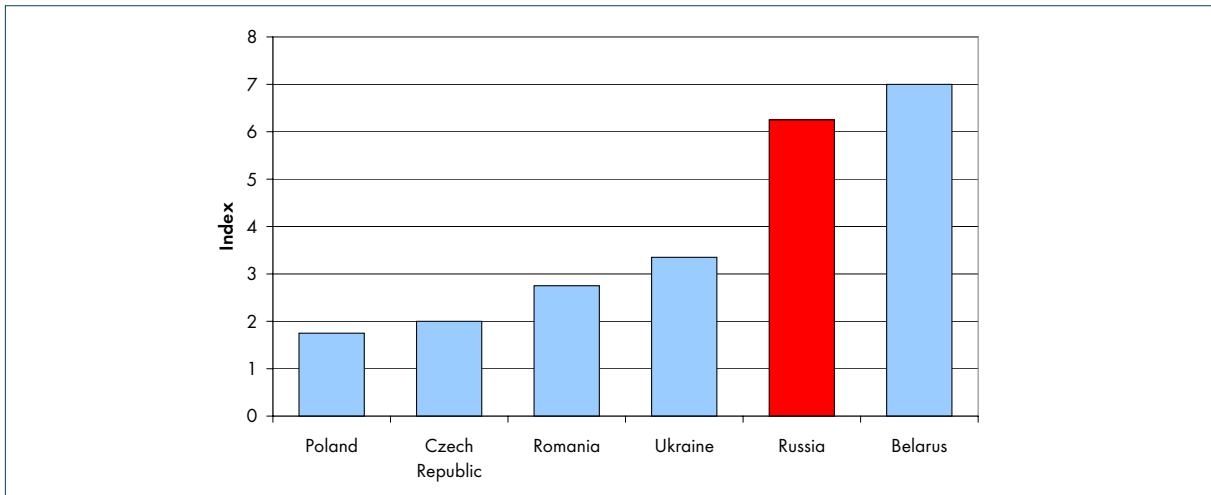
Brief description:

Nations in Transit measures progress and setbacks in democratization in 29 countries and territories from Central Europe to the Eurasian region of the Former Soviet Union. The rating covers seven categories: electoral process; civil society; independent media; national democratic governance; local democratic governance; judicial framework and independence; and corruption. The ratings are based on a scale of 1 to 7, with 1 representing the highest and 7 the lowest level of democratic progress.

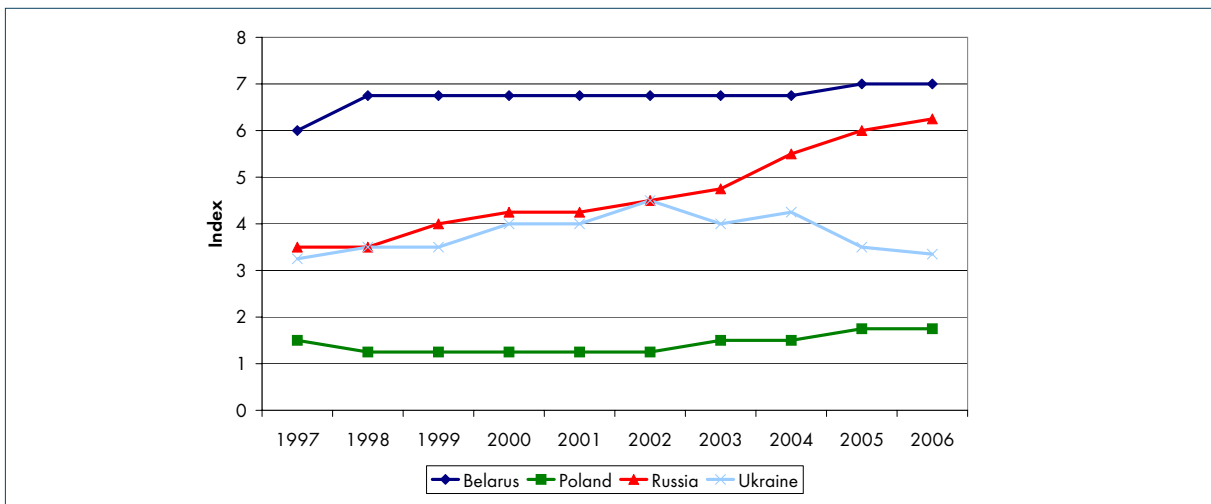
Graph 9: Freedom House: Governance Ratings 2006



Graph 10: Freedom House: Electoral Process Ratings 2006

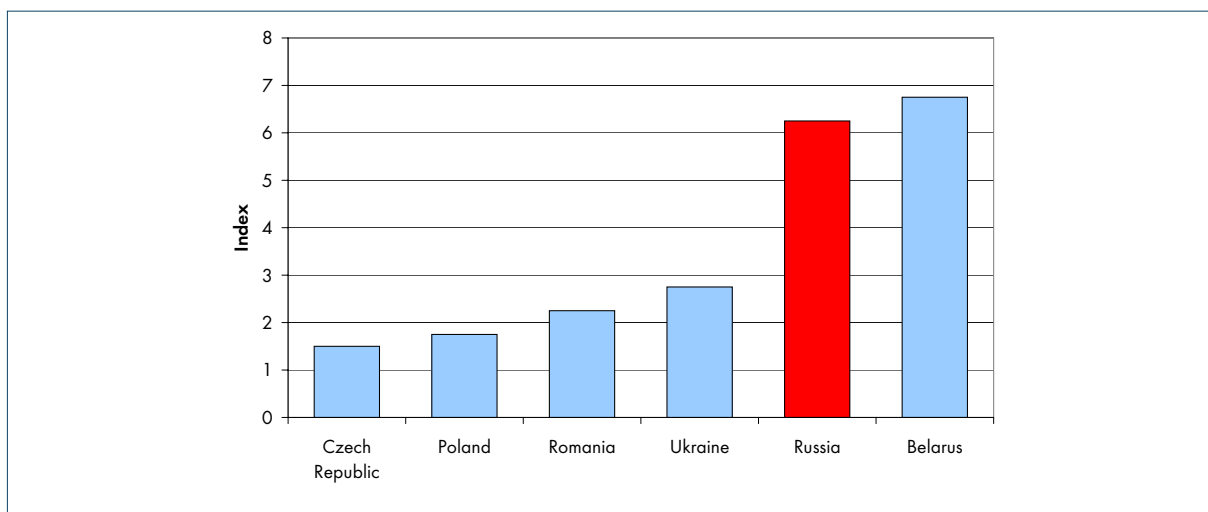


Graph 11: Freedom House: Electoral Process Ratings 1997–2006

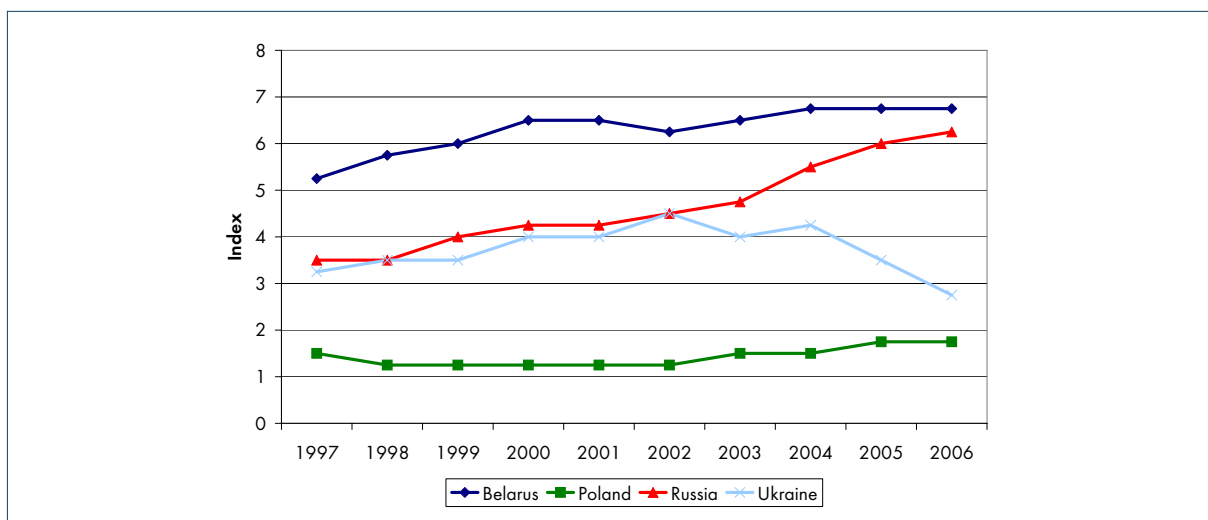


NB: There are no values for 2000.

Graph 12: Freedom House: Civil Society Ratings 2006

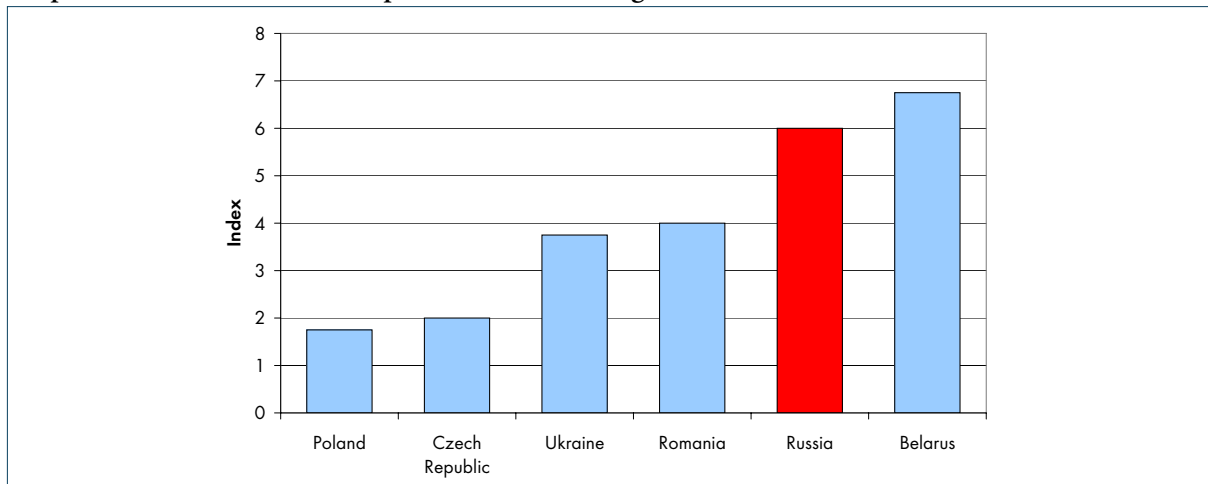


Graph 13: Freedom House: Civil Society Ratings 1997–2006

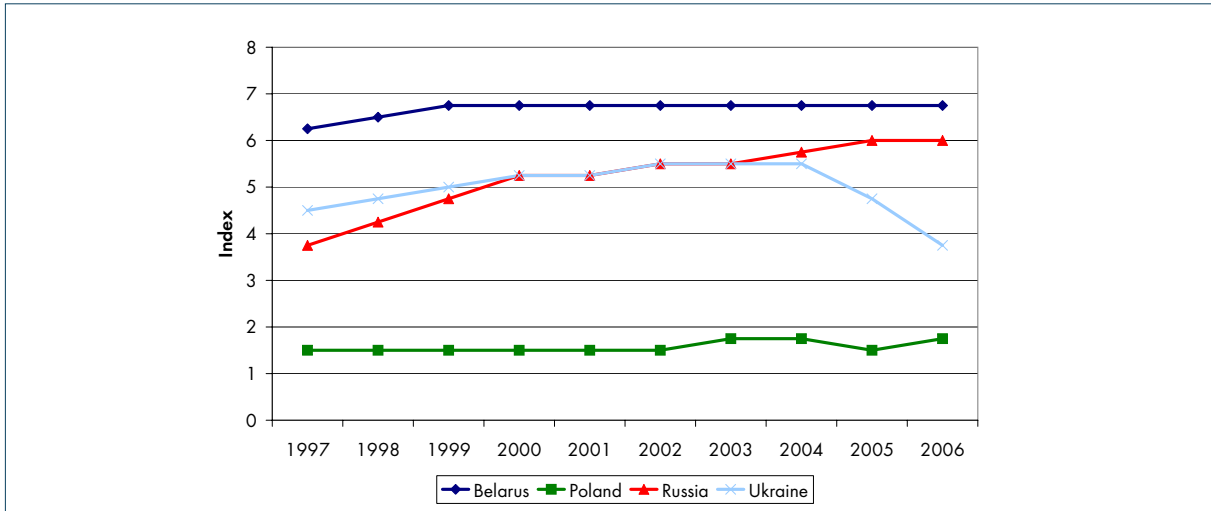


NB: There are no values for 2000.

Graph 14: Freedom House: Independent Media Ratings 2006

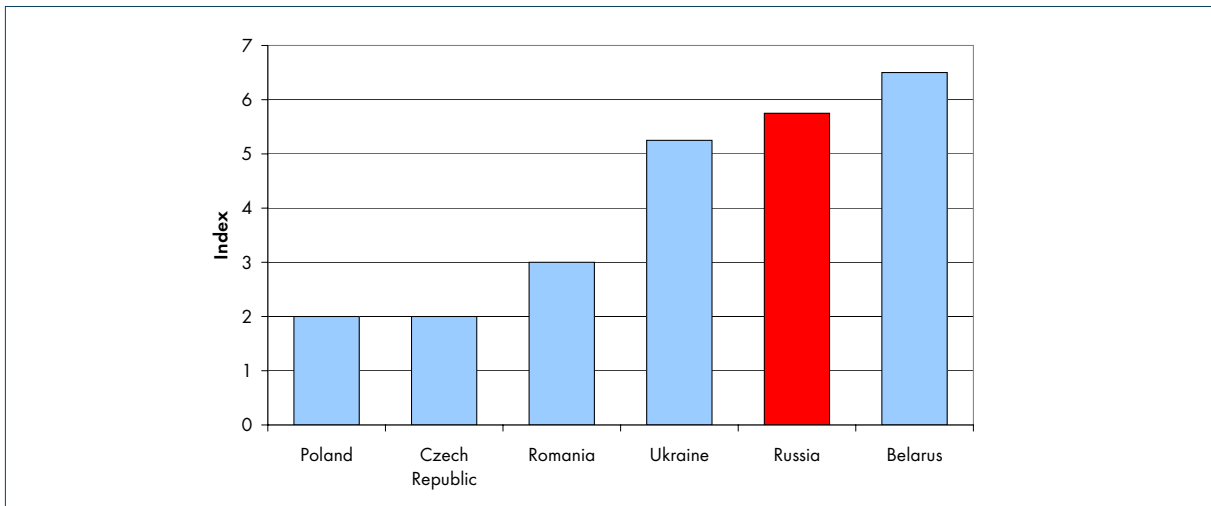


Graph 15: Freedom House: Independent Media Ratings 1997–2006

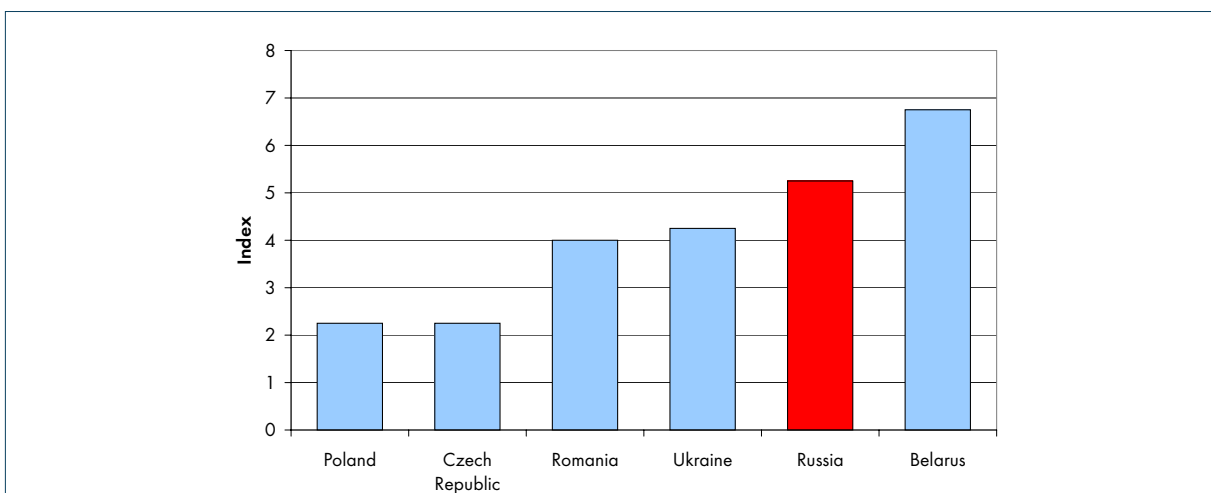


NB: There are no values for 2000.

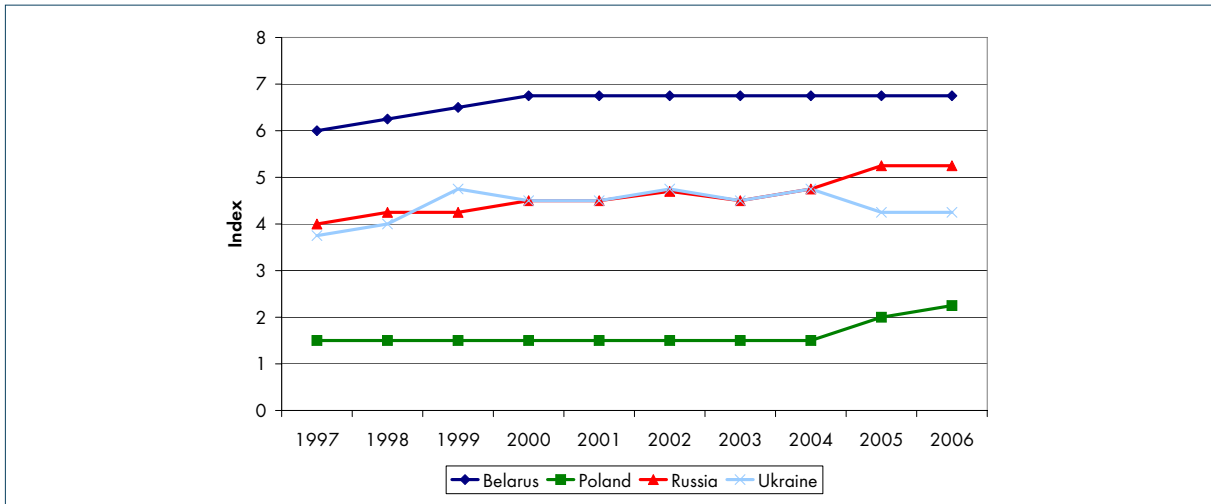
Graph 16: Freedom House: Local Democratic Governance 2006



Graph 17: Freedom House: Judicial Framework and Independence 2006

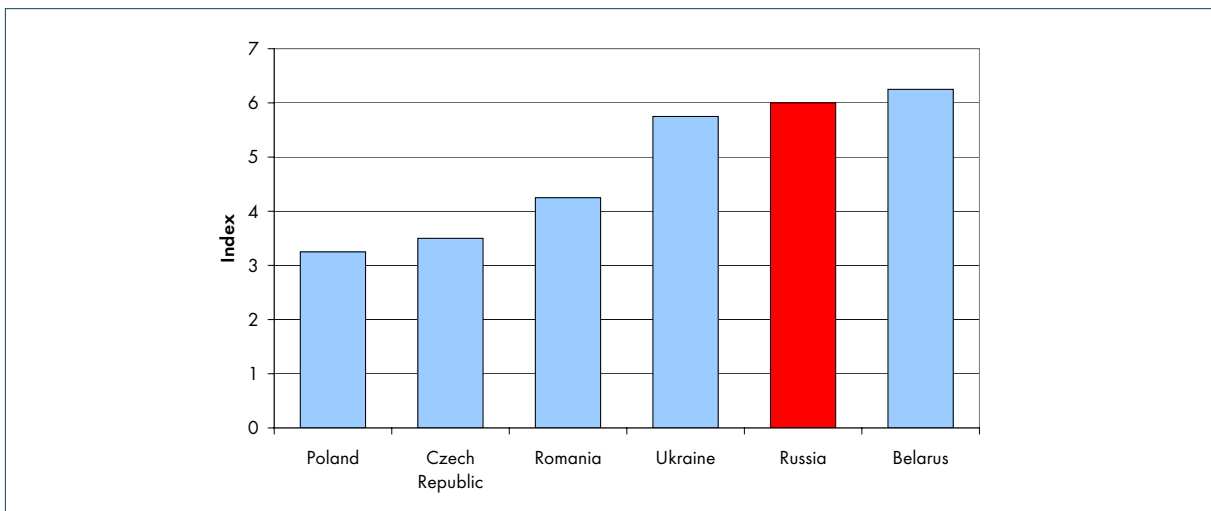


Graph 18: Freedom House: Judicial Framework and Independence 1997–2006

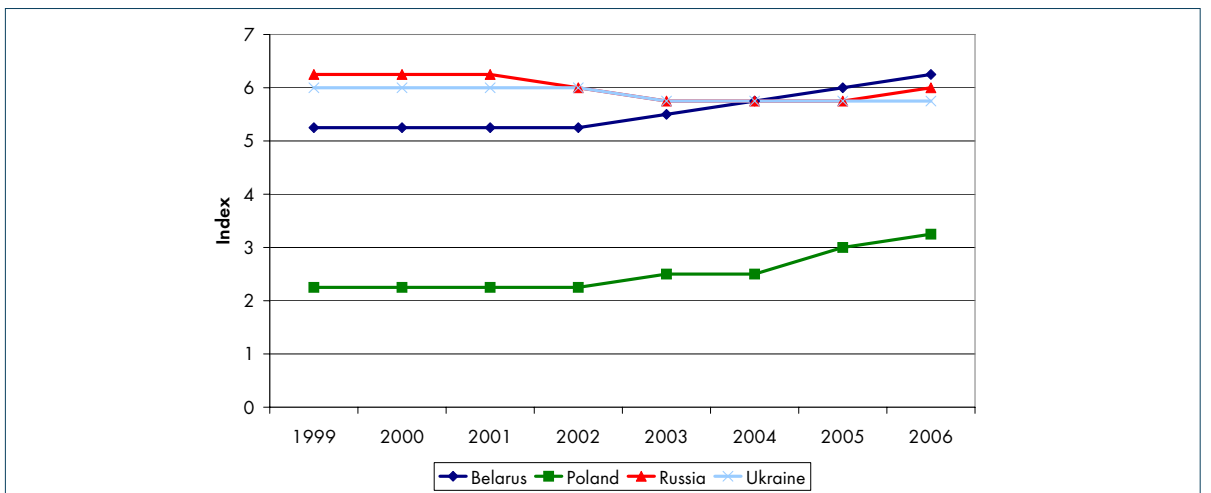


NB: There are no values for 2000.

Graph 19: Freedom House: Corruption 2006



Graph 20: Freedom House: Corruption 1999–2006



NB: There are no values for 2000.

Global Integrity Report

Prepared by: Center for Public Integrity (Washington, USA)

Established: 2003

Frequency: at irregular intervals (2003, 2006)

The data refer to the respective year under review.

Covered countries: 25 (2003), 43 (2006)

URL: <http://www.globalintegrity.org>

Brief description:

The Global Integrity Index assesses the existence and effectiveness of anti-corruption mechanisms that promote public integrity. More than 290 discrete Integrity Indicators generate the Integrity Index and are organized into six key categories (Civil Society, Public Information and Media; Elections; Government Accountability; Administration and Civil Service; Oversight and Regulatory Mechanisms; Anti-Corruption and Rule of Law) and twenty three sub-categories. Prepared by a lead researcher in the country and then blindly reviewed by additional in-country and external experts, the Integrity Indicators not only assess the existence of laws, regulations, and institutions designed to curb corruption but also their implementation, as well as the access that average citizens have to those mechanisms.

There are two general types of indicators: "in law" and "in practice." All indicators, regardless of type, are scored on the same ordinal scale of 0 to 100 with zero being the worst possible score and 100 perfect. "In law" indicators provide an objective assessment of whether certain legal codes, fundamental rights, government institutions, and regulations exist. These "de jure" indicators are scored with a simple "yes" or "no" with "yes" receiving a 100 score and "no" receiving a zero. "In practice" indicators address "de facto" issues such as implementation, effectiveness enforcement, and citizen access. As these usually require a more informed and subjective assessment, these "in practice" indicators are scored along an ordinal scale of zero to 100 with possible scores at 0, 25, 50, 75 and 100. The Global Integrity Index groups countries into five performance "tiers" generated from the scores assigned to the individual integrity indicators: very strong (90+), strong (80+), moderate (70+), weak (60+), very weak (60-).

Graph 21: Global Integrity Rating 2006

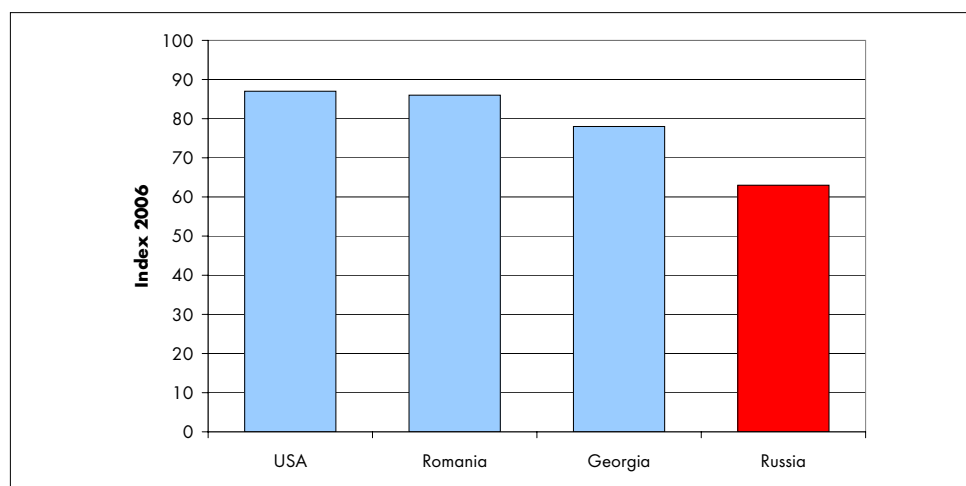


Table 3: Global Integrity Report 2006

	USA	Romania	Georgia	Russia
Civil Society, Public Information and Media	86	84	79	60
Elections	83	90	78	68
Government Accountability	88	78	78	53
Administration and Civil Service	87	83	67	56
Oversight and Regulation	86	91	81	73
Anti-Corruption and Rule of Law	92	91	85	70
Overall Score	87	86	78	63

Press Freedom Index

Prepared by: Reporters without Borders (Paris, France)

Established: 2002

Frequency: Annual

September to September in the year of publication

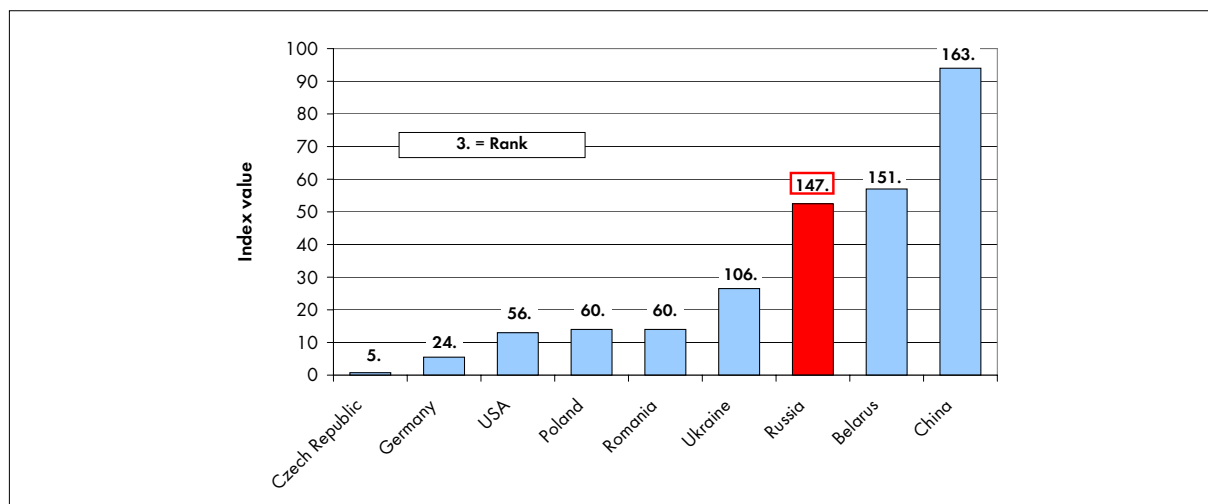
Covered countries: 168

URL: <http://www.rsf.org>

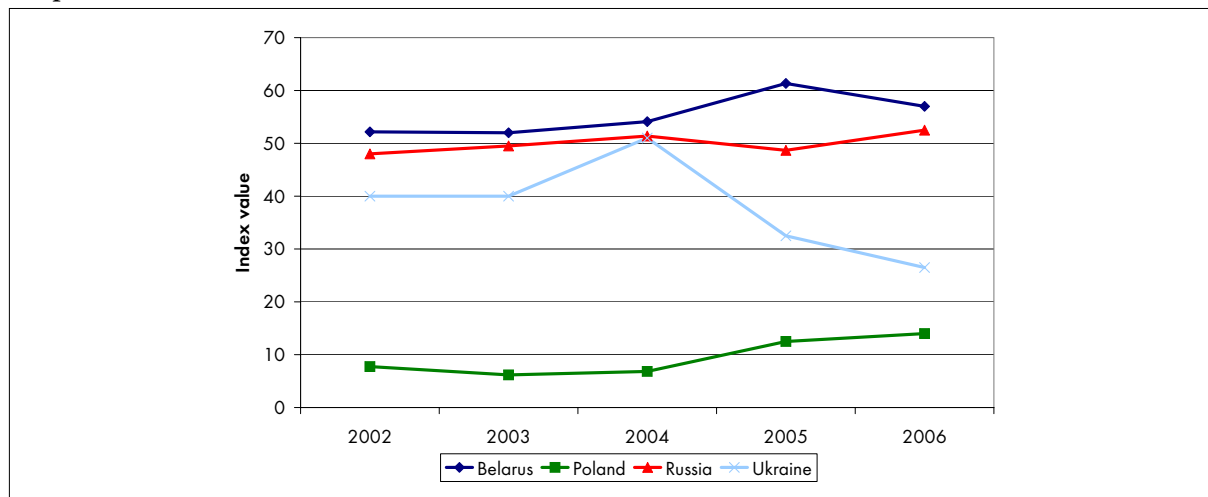
Brief description:

The index measures the state of press freedom in the world. It reflects the degree of freedom journalists and news organisations enjoy in each country, and the efforts made by the state to respect and ensure respect for this freedom. Each one has a ranking and a score which together sum up the state of press freedom there. Reporters Without Borders compiled a questionnaire with 50 criteria for assessing the state of press freedom in each country. It includes every kind of violation directly affecting journalists (such as murders, imprisonment, physical attacks and threats) and news media (censorship, confiscation of issues, searches and harassment). The questionnaire was sent to partner organisations (14 freedom of expression groups in five continents) and 130 correspondents around the world, as well as to journalists, researchers, jurists and human rights activists. A scale devised by the organisation was then used to give a country-score to each questionnaire.

Graph 22: Press Freedom Index 2006: Index Value and Ranking



Graph 23: Press Freedom Index 2002–2006



Bribe Payers Index

Prepared by: Transparency International

Established: 2002

Frequency: at irregular intervals

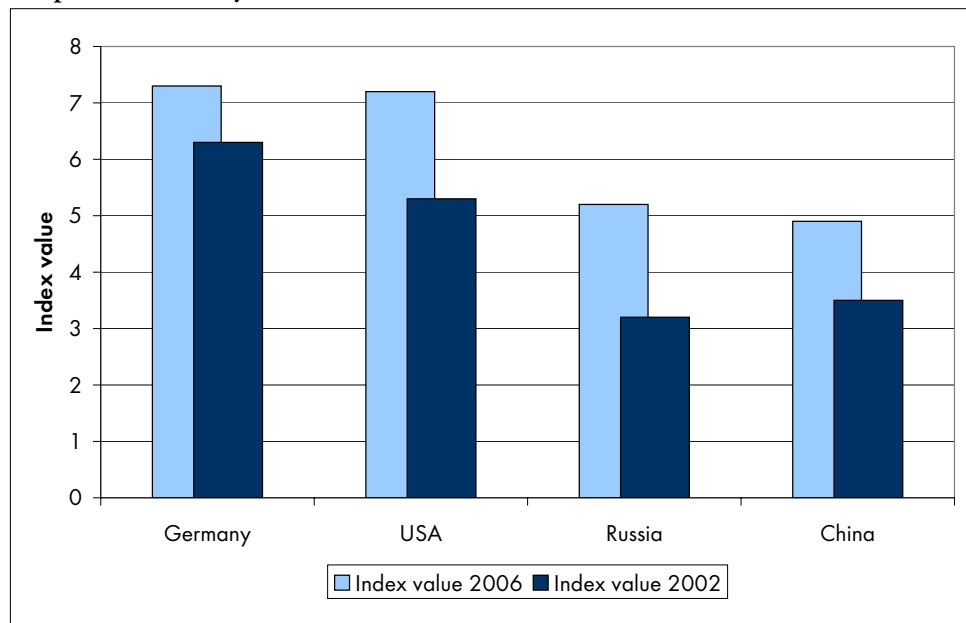
Covered countries: 21 (2002), 30 (2006)

URL: <http://www.transparency.org>

Brief description:

The Bribe Payers Index looks at the propensity of companies from 30 leading exporting countries to bribe abroad. The results draw from the responses of more than 11,000 business people in 125 countries polled in the World Economic Forum's Executive Opinion Survey 2006. A score of 10 indicates a perception of no corruption, while zero means corruption is seen as rampant.

Graph 24: Bribe Payers Index 2002 and 2006: Index Values



Worldwide Governance Indicators

Prepared by: Worldbank

Established: 1996

Frequency: Annual, between 1996 and 2002 every two years.

The data refer to the corresponding year of evaluation and are published one year later.

Covered countries: 213

URL: www.worldbank.org/wbi/governance/govdata/

Brief description:

This index measures six dimensions of governance since 1996 until end-2005, among them Control of Corruption. The indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 31 separate data sources constructed by 25 different organizations. The relevant index value shows the average of all relevant sources according to their reliability. Virtually all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes.

Graph 25: Worldwide Governance Indicators 2005 (Average Values)

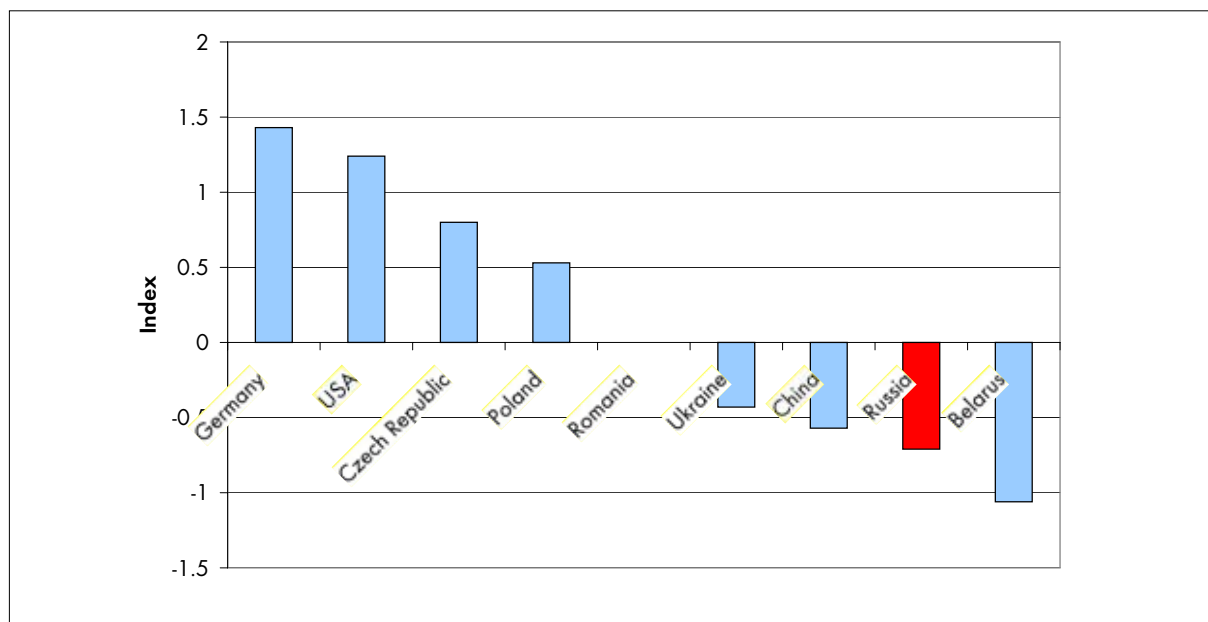
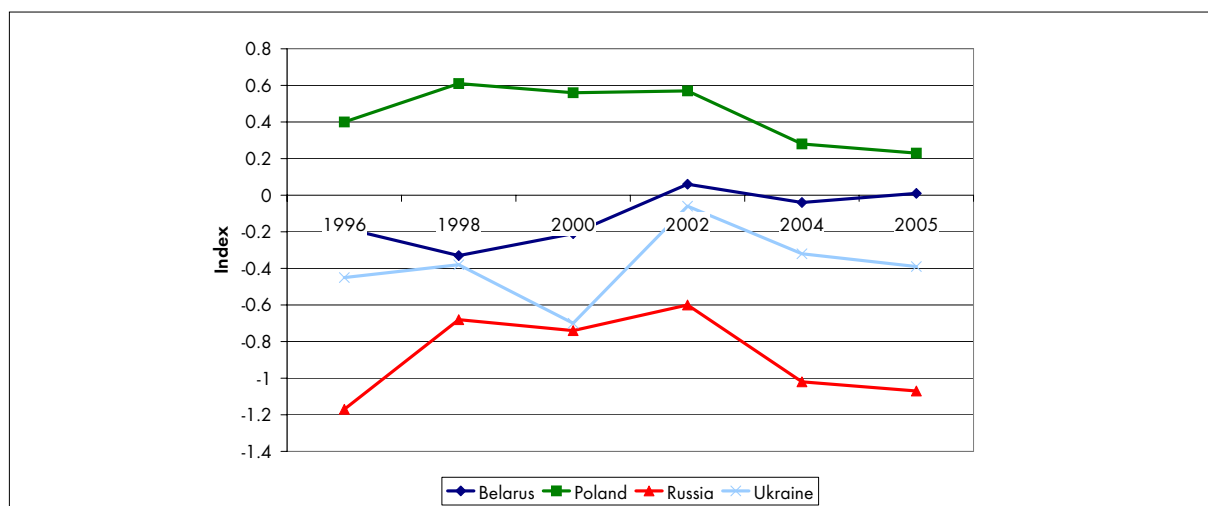


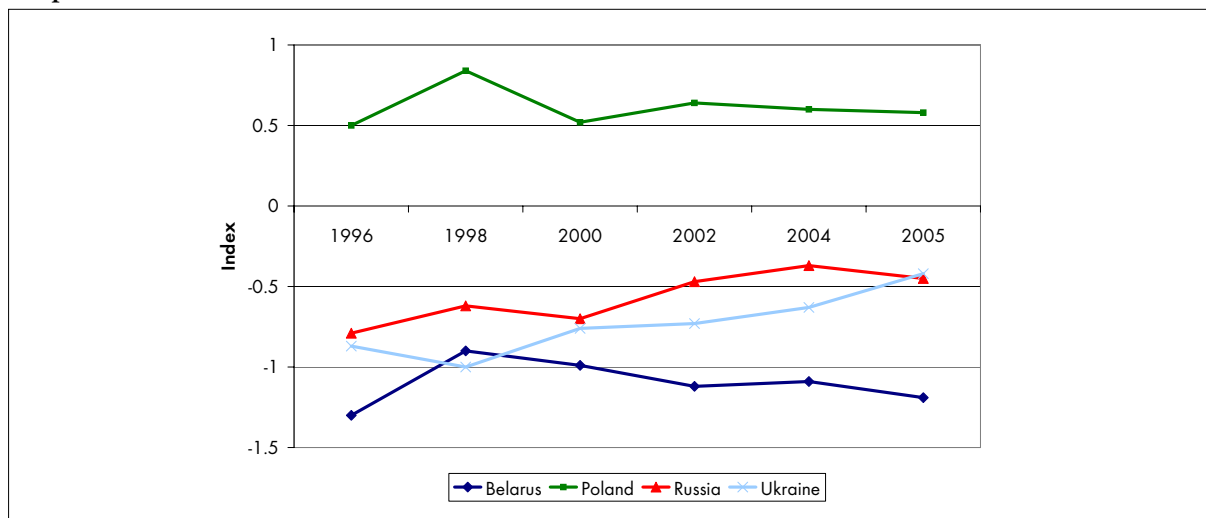
Table 4: Worldwide Governance Indicators 2005

	Germany	USA	Czech Republic	Poland	Romania	Ukraine	China	Russia	Belarus
Voice and Accountability	1.31	1.19	1.01	1.04	0.36	-0.26	-1.66	-0.85	-1.68
Political Stability / No Violence	0.67	0.06	0.69	0.23	0.03	-0.39	-0.18	-1.07	0.01
Government Effectiveness	1.51	1.59	0.94	0.58	-0.03	-0.42	-0.11	-0.45	-1.19
Regulatory Quality	1.38	1.47	1.04	0.82	0.17	-0.26	-0.28	-0.29	-1.53
Rule of Law	1.76	1.59	0.70	0.32	-0.29	-0.60	-0.47	-0.84	-1.04
Control of Corruption	1.92	1.56	0.42	0.19	-0.23	-0.63	-0.69	-0.74	-0.90
Average	1.43	1.24	0.80	0.53	0.00	-0.43	-0.57	-0.71	-1.06

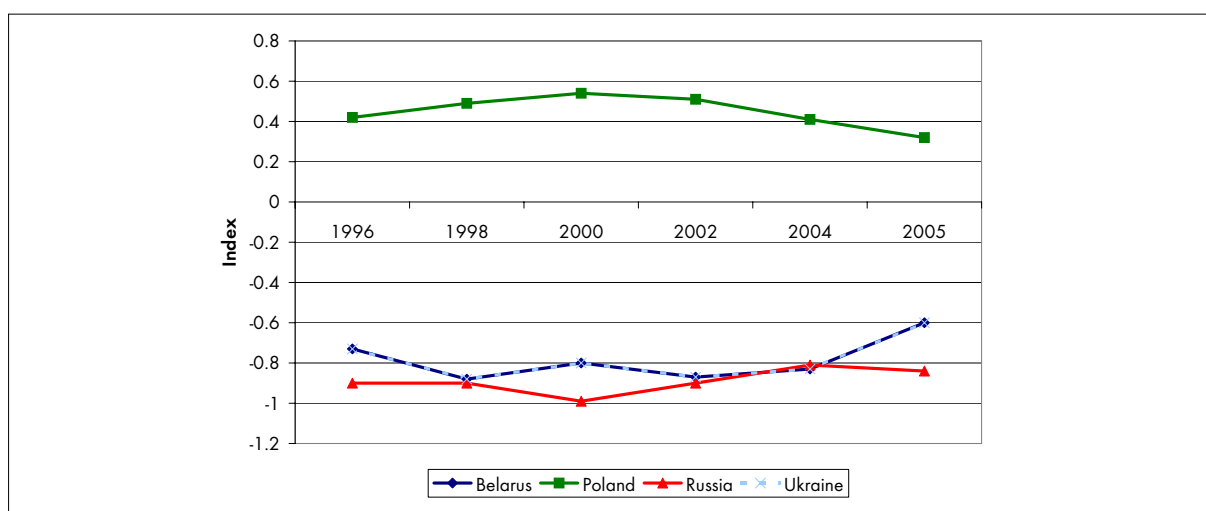
Graph 26: Worldwide Governance Indicators: Political Stability / No Violence 1996–2005



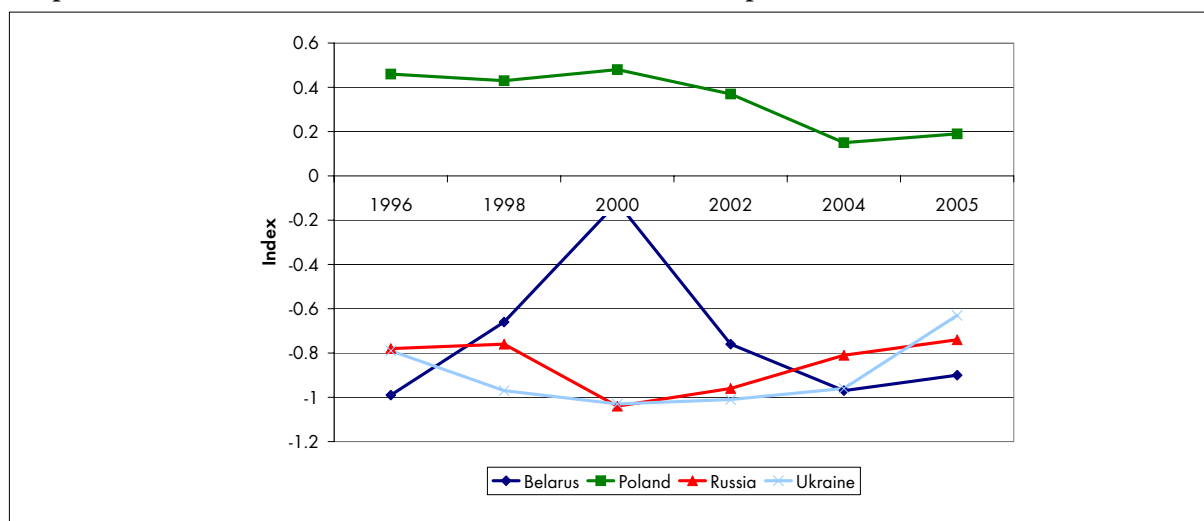
Graph 27: Worldwide Governance Indicators: Government Effectiveness 1996–2005



Graph 28: Worldwide Governance Indicators: Rule of Law 1996–2005



Graph 29: Worldwide Governance Indicators: Control of Corruption 1996–2005



Socio-Economic Indices

Index of Economic Freedom

Prepared by: The Heritage Foundation and Wall Street Journal (USA)

Established: 1995

Frequency: Annual

The data refer to the previous respective year.

Covered countries: 157

URL: www.heritage.org/research/features/index/index.cfm

Brief description:

The 2007 methodology has been revised to provide an even clearer picture of economic freedom. The index measures 10 specific factors, and averages them equally into a total score. Each one of the 10 freedoms is graded using a scale from 0 to 100, where 100 represents the maximum freedom. A score of 100 signifies an economic environment or set of policies that is most conducive to economic freedom. The ten component freedoms are: Business Freedom, Trade Freedom, Fiscal Freedom, Freedom from Government, Monetary Freedom, Investment Freedom, Financial Freedom, Property Rights, Freedom from Corruption and Labor Freedom.

Graph 30: Index of Economic Freedom: Index Values and Rankings: Selected Countries 2007

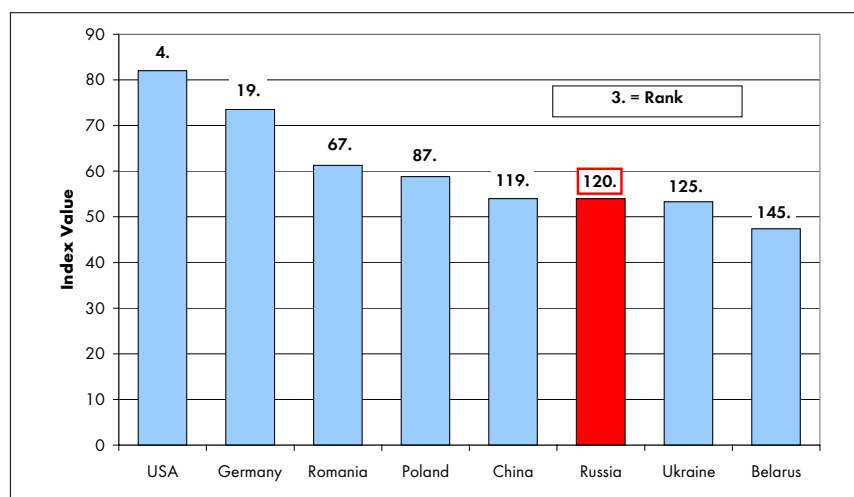
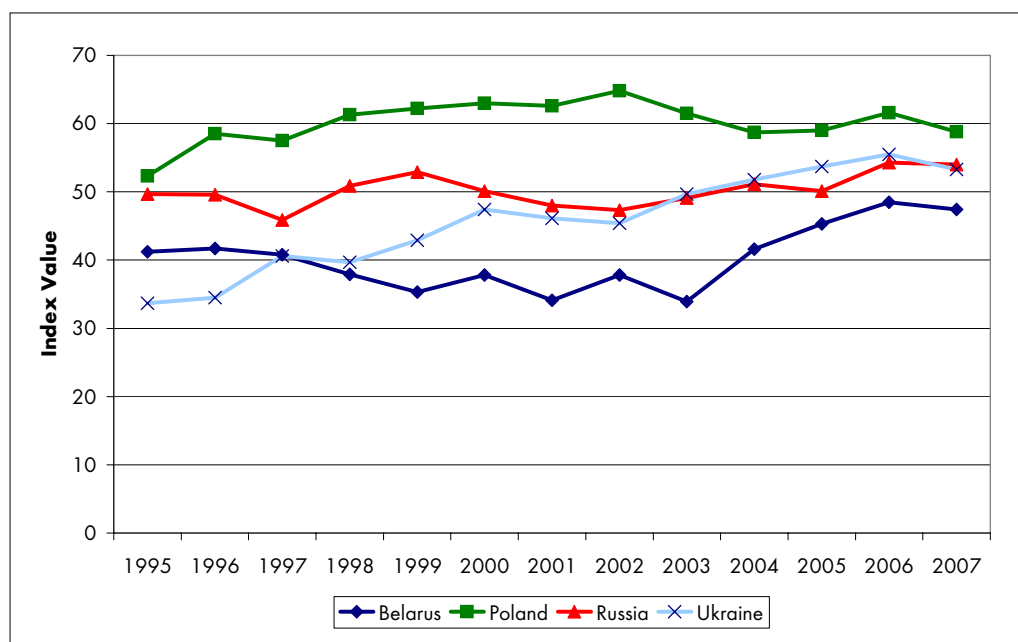


Table 5: Index of Economic Freedom: Individual Values: Selected Countries 2007

	USA	Germany	Romania	Poland	China	Russia	Ukraine	Belarus
Business Freedom	94.5	88.2	70.9	56.1	54.9	66.6	54.0	54.5
Trade Freedom	76.6	76.6	74.0	76.6	68.0	62.6	72.2	62.2
Fiscal Freedom	79.4	74.3	91.7	79.1	77.7	86.3	89.1	87.9
Freedom from Government	67.5	48.0	74.9	55.3	88.6	71.6	61.9	66.9
Monetary Freedom	83.8	81.5	69.7	80.3	75.5	62.8	68.4	61.4
Investment Freedom	80	90	50	50	30	30	30	20
Financial Freedom	80	50	60	50	30	40	50	10
Property Rights	90	90	30	50	20	30	30	20
Freedom from Corruption	76.0	82.0	30.0	34.0	32.0	24.0	26.0	26.0
Labor Freedom	92.1	54.6	61.4	56.2	63.5	66.2	51.8	64.7
All 10 Freedoms	82.0	73.5	61.3	58.8	54.0	54.0	53.3	47.4

Graph 31: Index of Economic Freedom: 1995 – 2007



Global Competitiveness Index (GCI)

Prepared by: World Economic Forum

Established: 2005 (2001 – 2004: Growth Competitive Index)

Frequency: Annual

The data refer to the respective previous year.

Covered countries: 125

URL: <http://www3.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.html>

Brief description:

The GCI assesses the competitiveness of nations and provides a holistic overview of factors that are critical to driving productivity and competitiveness. These factors are grouped into nine pillars with 90 indicators: institutions (property rights, ethics and corruption, undue influence, government inefficiency, security, accountability), infrastructure (infrastructure quality, transport, energy, telecommunications), macroeconomy, health and primary education, higher education and training, market efficiency (competition, distortions, market size, flexibility and efficiency of labor market, sophistication and openness of financial markets), technological readiness, business sophistication, innovation.

The rankings are drawn from a combination of publicly available hard data and the results of the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum, together with its network of Partner Institutions. Over 11,000 business leaders were polled in a record 125 economies worldwide. The survey questionnaire is designed to capture a broad range of factors affecting an economy's business climate that are critical determinants of sustained economic growth.

Graph 32: Global Competitiveness Index: Index Values and Rankings 2007

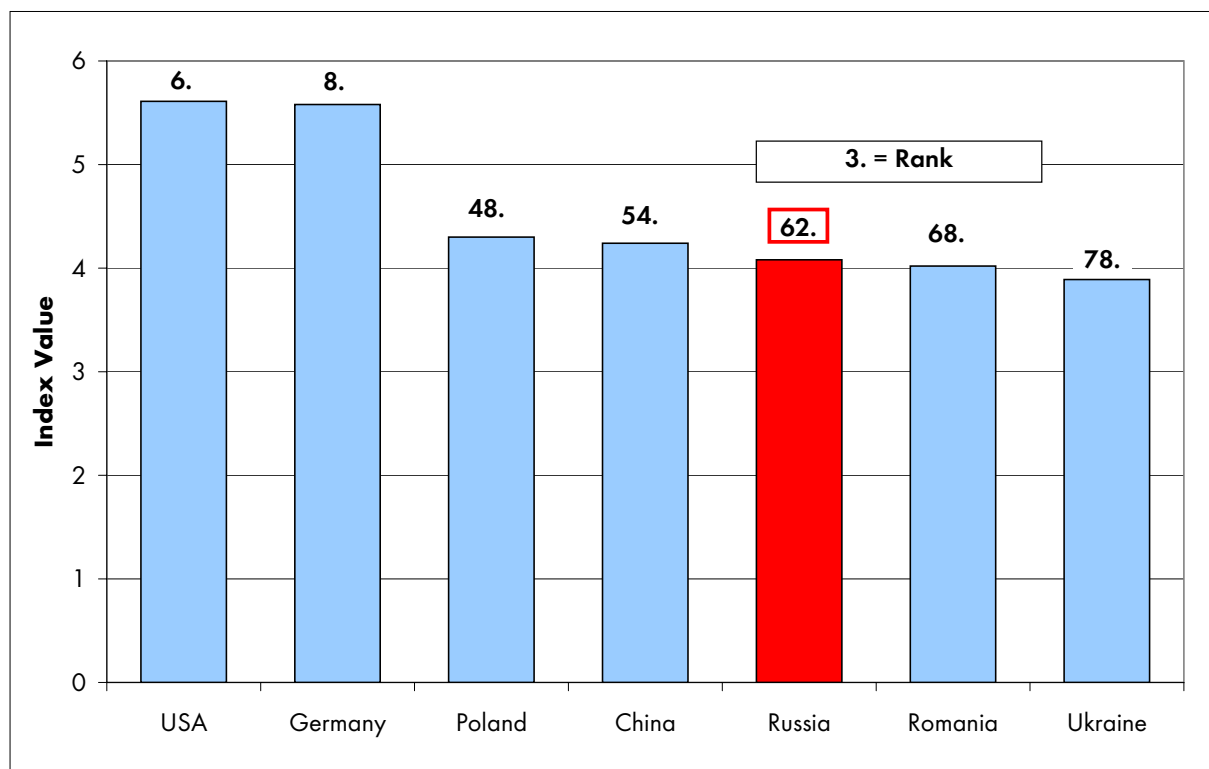


Table 6: Global Competitiveness Index: Individual Values. Selected Countries 2007

	USA	Germany	Poland	China	Russia	Romania	Ukraine
Institutions	4.84	5.69	3.62	3.51	2.97	3.40	3.14
Infrastructure	5.82	6.51	3.64	3.54	3.52	3.05	3.30
Macroeconomy	4.37	4.44	4.34	5.72	4.95	3.94	4.27
Health and primary education	6.60	6.37	6.76	6.44	6.29	6.38	5.88
<i>1st sub-index: Basic Requirements</i>	5.41	5.75	4.59	4.80	4.43	4.19	4.15
Higher education and training	5.82	5.42	4.79	3.68	4.44	4.34	4.35
Market efficiency	5.67	5.09	4.16	4.22	4.20	4.03	3.96
Technological readiness	5.49	5.16	3.56	3.07	3.10	3.59	2.71
<i>2nd sub-index: Efficiency Enhancers</i>	5.66	5.22	4.17	3.66	3.91	3.99	3.68
Business sophistication	5.78	6.26	4.13	4.05	3.83	3.89	3.84
Innovation	5.72	5.51	3.74	3.44	3.28	3.14	3.11
<i>3rd sub-index: Innovation Factors</i>	5.75	5.89	3.80	3.75	3.55	3.52	3.47
Total score	5.61	5.58	4.30	4.24	4.08	4.02	3.89

Obstacles to Doing Business

Prepared by: World Bank

Established: 2003

Frequency: Annual

The data refer to the respective previous year.

Covered countries: 175

URL: www.doingbusiness.org

Brief description:

The ease of doing business index ranks economies from 1 to 175. The index is calculated as the ranking on the simple average of country percentile rankings on each of the 10 topics covered in Doing Business 2007. The survey uses a simple business case to ensure comparability across countries and over time - with assumptions about the legal form of the business, its size, its location and the nature of its operations. Surveys are administered through more than 5,000 local experts, including lawyers, business consultants, accountants, government officials and other professionals routinely administering or advising on legal and regulatory requirements.

Graph 33: Obstacles to Doing Business. Ranks 2007

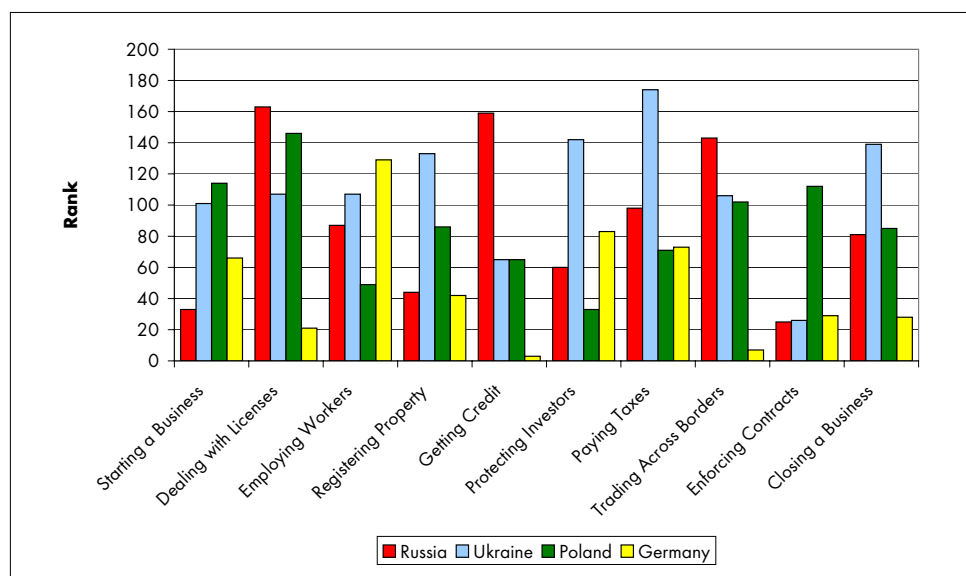


Table 7: Obstacles to Doing Business: Individual Indicators 2007

Criterion	Ukraine	Russia	Poland	Germany
Starting a Business				
Procedures (number)	10	7	10	9
Time (days)	33	28	31	24
Cost (% of income per capita)	9%	3%	21%	5%
International ranking	101	33	114	66
Dealing with Licenses				
Procedures (number)	18	22	25	11
Time (days)	242	531	322	133
Cost (% of income per capita)	187%	275%	86%	89%
International ranking	107	163	146	21

(continued on following page)

Criterion	Ukraine	Russia	Poland	Germany
Employing Workers				
Difficulty of Hiring Index	44	33	0	33
Rigidity of Hours Index	40	60	60	60
Difficulty of Firing Index	80	40	40	40
Rigidity of Employment Index	55	44	33	44
Nonwage labor cost (% of salary)	39	31	21	19
Firing costs (weeks of wages)	13	17	13	69
International ranking	107	87	49	129
Registering Property				
Procedures (number)	10	6	6	4
Time (days)	93	52	197	40
Cost (% of property value)	3%	0.3%	2%	5%
International ranking	133	44	86	42
Getting Credit				
Legal Rights Index	8	3	4	8
Credit Information Index	0	0	4	6
Public registry coverage (% adults)	0	0	0	0.5
Private bureau coverage (% adults)	0	0	38.1	93.9
International ranking	65	159	65	3
Protecting Investors				
Disclosure Index (scale of 0–10)	1	7	7	5
Director Liability Index (scale of 0–10)	3	2	2	5
Shareholder Suits Index (scale of 0–10)	7	7	9	5
Investor Protection Index (scale of 0–10)	3.7	5.3	6.0	5.0
International ranking	142	60	33	83
Paying Taxes				
Payments (number per year)	98	23	43	32
Time (hours per year)	2,185	256	175	105
Profit tax (%)	60%	54%	38%	57%
International ranking	174	98	71	73
Trading Across Borders				
Documents for export (number)	6	8	6	4
Time for export (days)	33	39	19	6
Cost to export (US\$ per container)	1,009	2,237	2,260	731
Documents for import (number)	10	8	7	4
Time for import (days)	46	38	26	6
Cost to import (US\$ per container)	1,025	2,237	2,260	750
International ranking	106	143	102	7
Enforcing Contracts				
Procedures (number)	28	31	41	30
Time (days)	183	178	980	394
Cost (% of debt)	16%	14%	10%	11%
International ranking	26	25	112	29
Closing a Business				
Time (years)	2.9	3.8	3.0	1.2
Cost (% of estate)	42	9	22	8
Recovery rate (cents on the dollar)	8.7	28.7	27.9	53.1
International ranking	139	81	85	28

Worldwide Governance Indicators – Regulation

Prepared by: Worldbank

Established: 1996

Frequency: Annual, between 1996 and 2002 every two years.

The data refer to the corresponding year of evaluation and are published one year later.

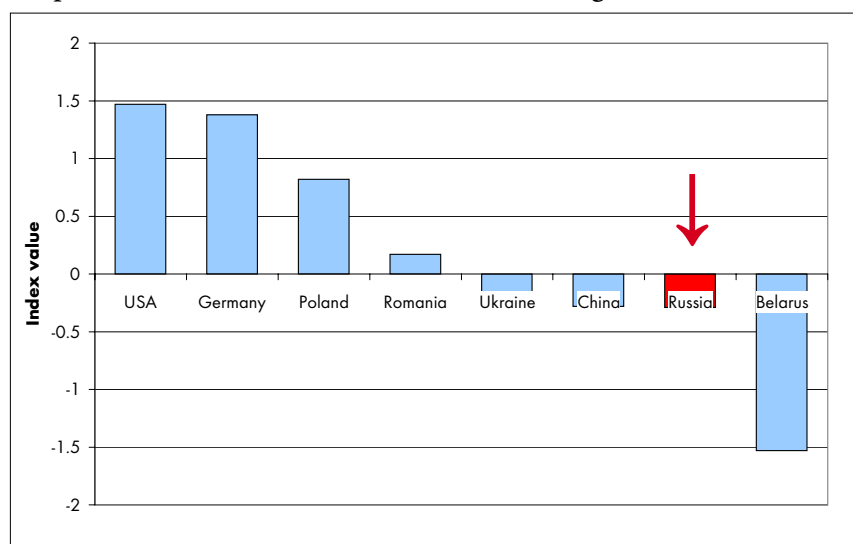
Covered countries: 213

URL: www.worldbank.org/wbi/governance/govdata/

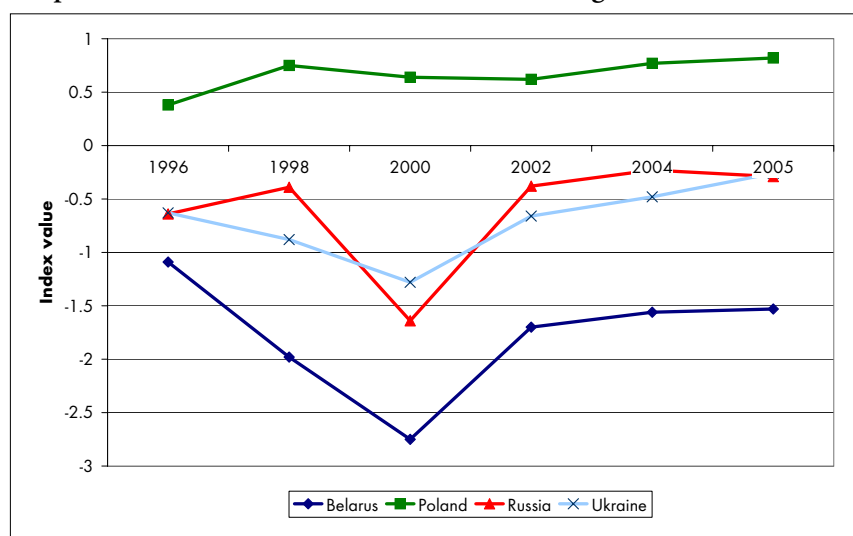
Brief description:

This index covers 213 countries and territories and measures six dimensions of governance since 1996 until end-2005: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. The indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 31 separate data sources constructed by 25 different organizations. Regulatory quality describes the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The relevant index value shows the average of all relevant sources according to their reliability. Virtually all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes.

Graph 34: Worldwide Governance Indicators – Regulation: Index Values 2005



Graph 35: Worldwide Governance Indicators – Regulation: 1996 – 2005



Business Competitiveness Index

Prepared by: World Economic Forum

Established: 2001

Frequency: Annual

The data refer to the respective previous year.

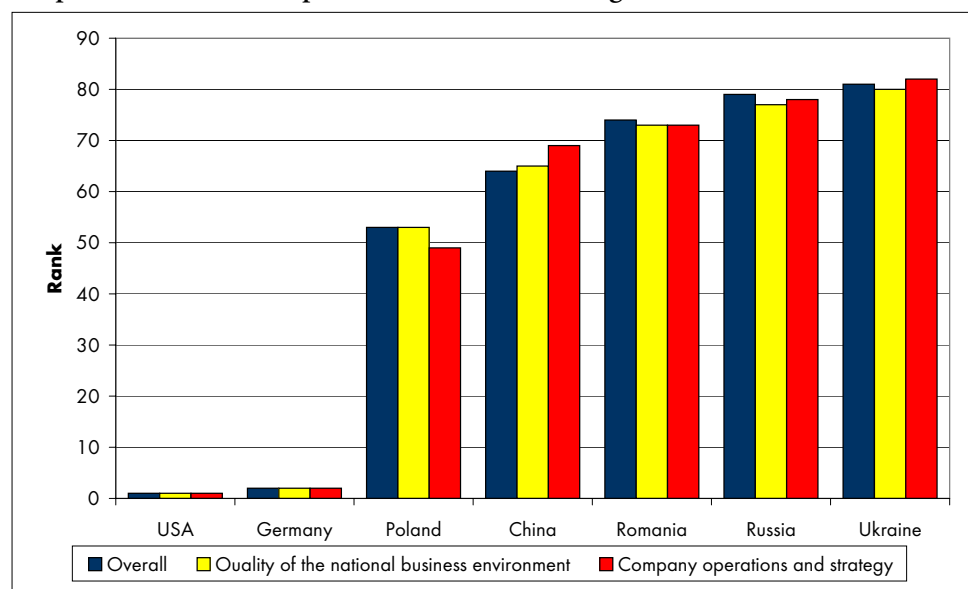
Covered countries: 121

URL: <http://www3.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.html>

Brief description:

The Business Competitiveness Index (BCI) ranks countries by their microeconomic competitiveness, identifies competitive strengths and weaknesses in terms of countries' business environment conditions and company operations and strategies, and provides an assessment of the sustainability of countries' current levels of prosperity. The index refers to the GCI.

Graph 36: Business Competitiveness Index: Rankings 2007



Index of Economic Freedom – Business Freedom

Prepared by: The Heritage Foundation and Wall Street Journal (USA)

Established: 1995

Frequency: Annual

The data refer to the respective previous year.

Covered countries: 157

URL: www.heritage.org/research/features/index/index.cfm

Brief description:

Business freedom is the ability to create, operate, and close an enterprise quickly and easily. Burdensome, redundant regulatory rules are the most harmful barriers to business freedom. Business freedom is graded using a scale from 0 to 100, where 100 represents the maximum freedom.

Table 8: Index of Economic Freedom: Business Freedom 1995 – 2007

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belarus	50	50	50	30	30	30	10	10	10	10	10	53.9	54.5
Poland	50	50	50	50	50	50	50	50	50	50	50	67.4	58.8
Russia	70	50	30	30	30	30	30	30	30	30	30	66.1	66.6
Ukraine	30	30	30	30	30	30	30	30	30	30	30	53.3	54.0

Corruption Perception Index

Prepared by: Transparency International

Established: 1995

Frequency: Annual

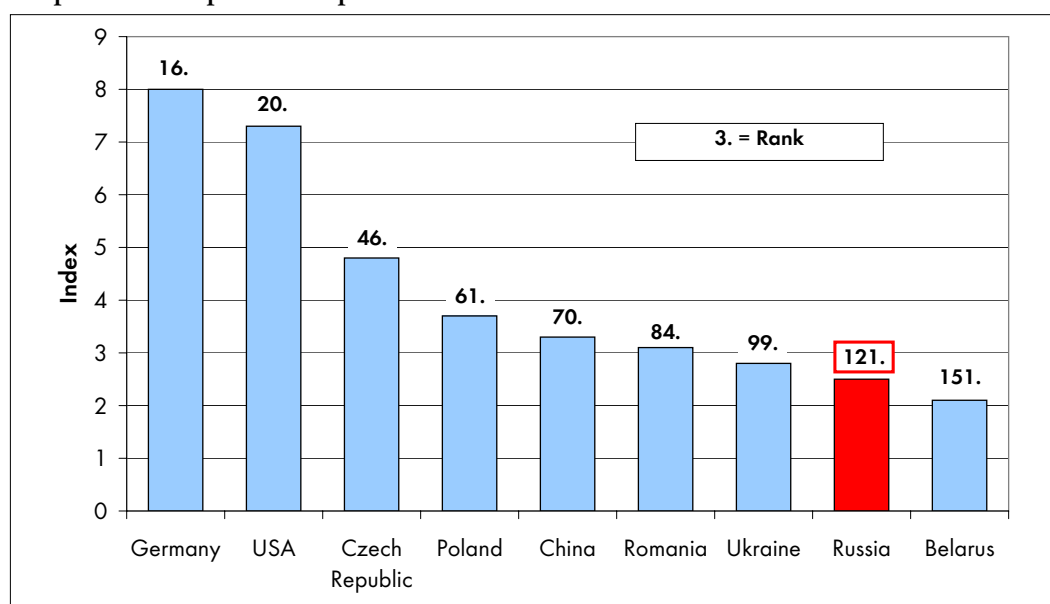
Covered countries: 163

URL: <http://www.transparency.org>

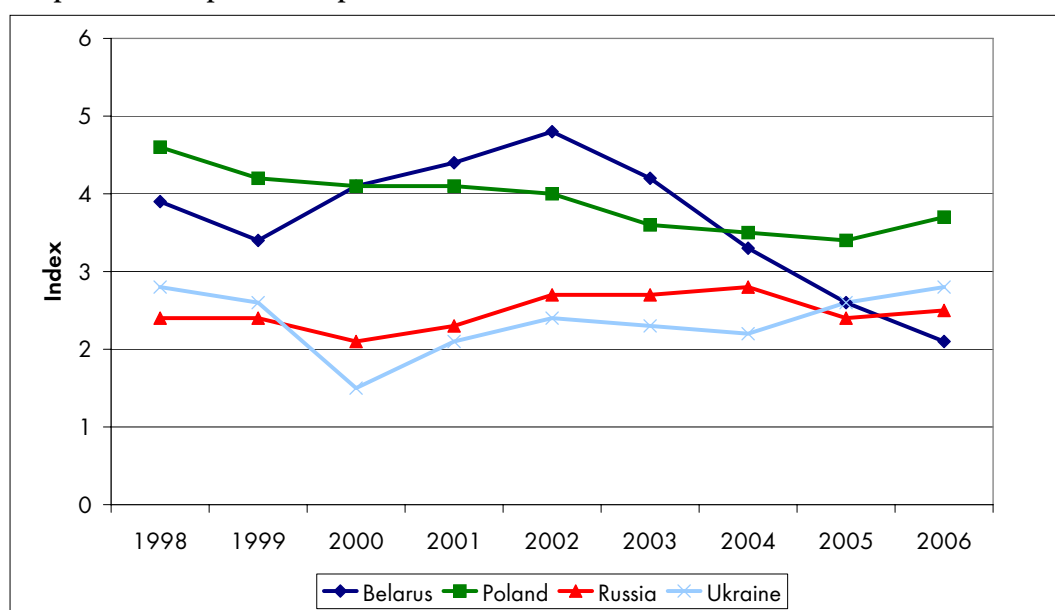
Brief description:

The Corruption Perceptions Index is a composite index that draws on multiple expert opinion surveys that poll perceptions of public sector corruption in 163 countries around the world. It scores countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption.

Graph 37: Corruption Perception Index 2006: Index Value and Rank



Graph 38: Corruption Perception Index 1998–2006



NB: There is no value for Belarus for the year 2001.

Worldwide Governance Indicators – Control of Corruption

Prepared by: Worldbank

Since: 1996

Frequency: Annual, between 1996 and 2002 every two years.

The data refer to the corresponding year of evaluation and are published one year later.

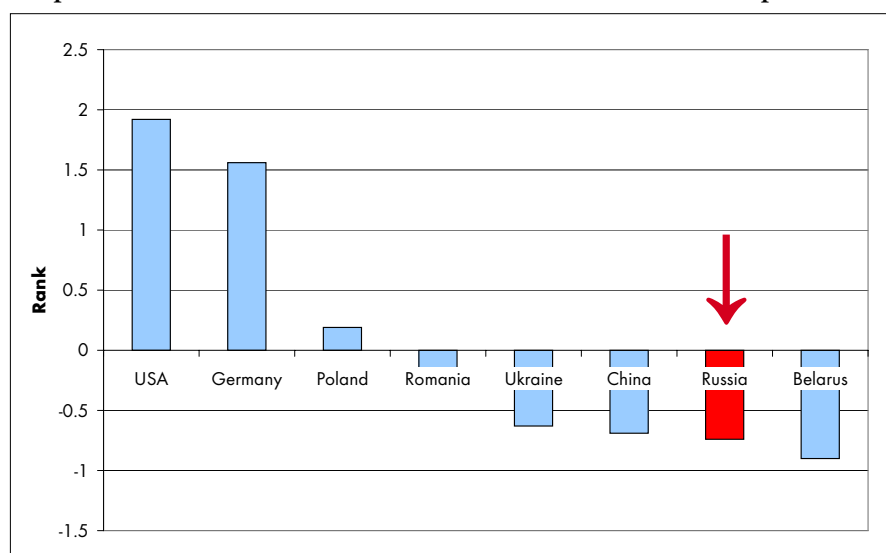
Covered countries: 213

URL: www.worldbank.org/wbi/governance/govdata/

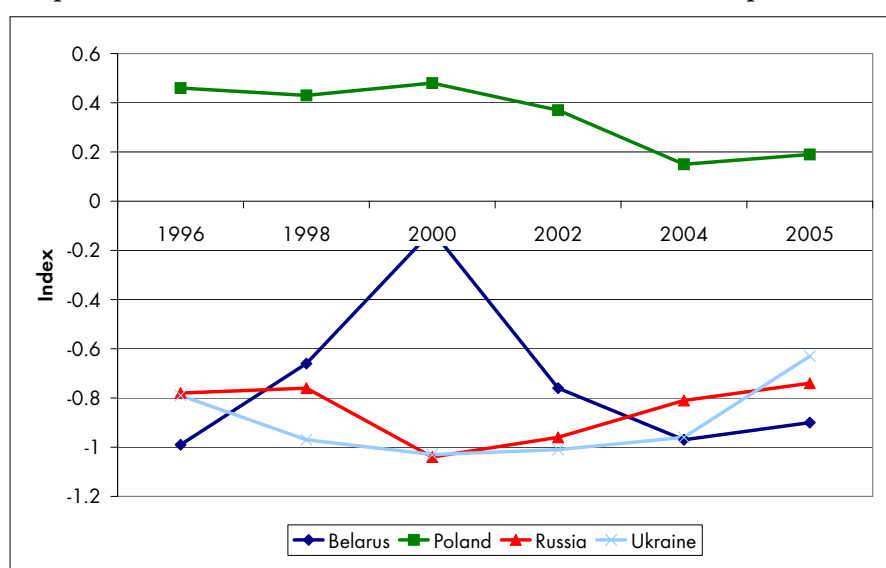
Brief description:

This index measures six dimensions of governance since 1996 until end-2005, among them Control of Corruption. The indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 31 separate data sources constructed by 25 different organizations. The relevant index value shows the average of all relevant sources according to their reliability. Virtually all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes.

Graph 39: Worldwide Governance Indicators – Control of Corruption: Index Values 2005



Graph 40: Worldwide Governance Indicators: Control of Corruption 1996–2005



Country Credit Ratings (Fitch Ratings, Moody's, Standard & Poor's)

Prepared by: Fitch Ratings, Moody's, Standard & Poor's

Frequency: Periodical

URL: www.fitchratings.com, www.moody.com, www.standard&poors.ru (timelines: www.newsbase.com)

Brief description:

International long-term credit rankings represent the credit risk of countries and firms grouped into different levels of credit quality: AAA (highest credit quality), AA (very high credit quality), A (high credit quality) and BBB (good credit quality). The following five speculative grades are: BB (speculative), B (highly speculative), CCC (default is possible), CC (default is probable), C (default is imminent). A "+" or a "-" denoting the relative status within one major rating category. Furthermore, this indicates the direction in which a rating is likely to move over a one to two-year period. Outlooks may be positive, stable or negative. The category RD indicates an entity that has failed to make due payments; D indicates an entity or sovereign that has defaulted on all of its financial obligations.

Moody's rating scale runs from Aaa (highest rating, minimum credit risk) to C (lowest rating, bonds typically in default, little prospect for recovery of principal or interest). The other ranks are: high-grade (Aa1, Aa2, Aa3), upper-medium grade (A1, A2, A3), medium-grade (Baa1, Baa2, Baa3), speculative elements (Ba1, Ba2, Ba3), subject to high credit risk (B1, B2, B3), bonds of poor standing (Caa1, Caa2, Caa3) and highly speculative/ near default (Ca).

Beyond the central long-term credit ratings, the rating agencies measure short-term credit risk and differentiate between bond issues in local and foreign (US-\$ or €) currencies.

Table 9: Credit Ratings 2001 – 2007

	2001	2002	2003	2004	2005	2006	2007
Fitch Russia	B+	BB-	BB+	BBB-	BBB	BBB+	BBB+
Moody's Russia	BB	BB	BBB-	BBB	BBB	BBB	BBB
S&P Russia	B+	BB	BB	BB+	BBB	BBB+	BBB+
Fitch Ukraine	B-	B	B+	B+	BB-	BB-	BB-
Moody's Ukraine	CCC+	B	B	B+	B+	B+	B+
S&P Ukraine	B	B	B	B+	BB-	BB-	BB+

NB: In each case, the rating is the rating valid at the end of the year.

Human Development Index

Prepared by: United Nations Development Program (UNDP)

Established: from 1975 to 1990 without socialist countries

Frequency: Annual

The data refer to the corresponding year of evaluation and are published one year later.

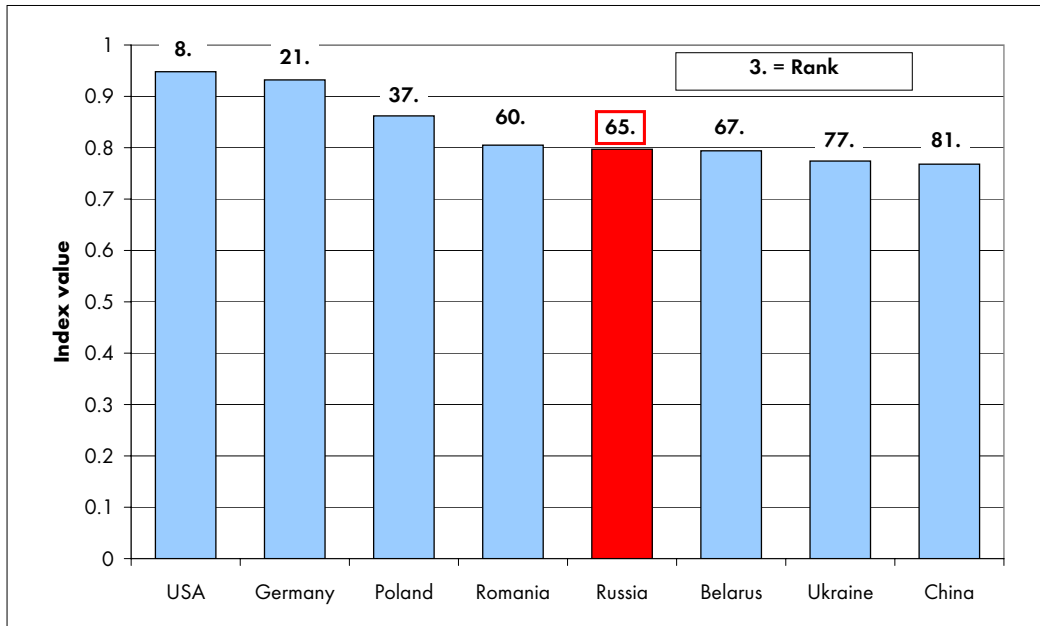
Covered countries: 177

URL: www.undp.org

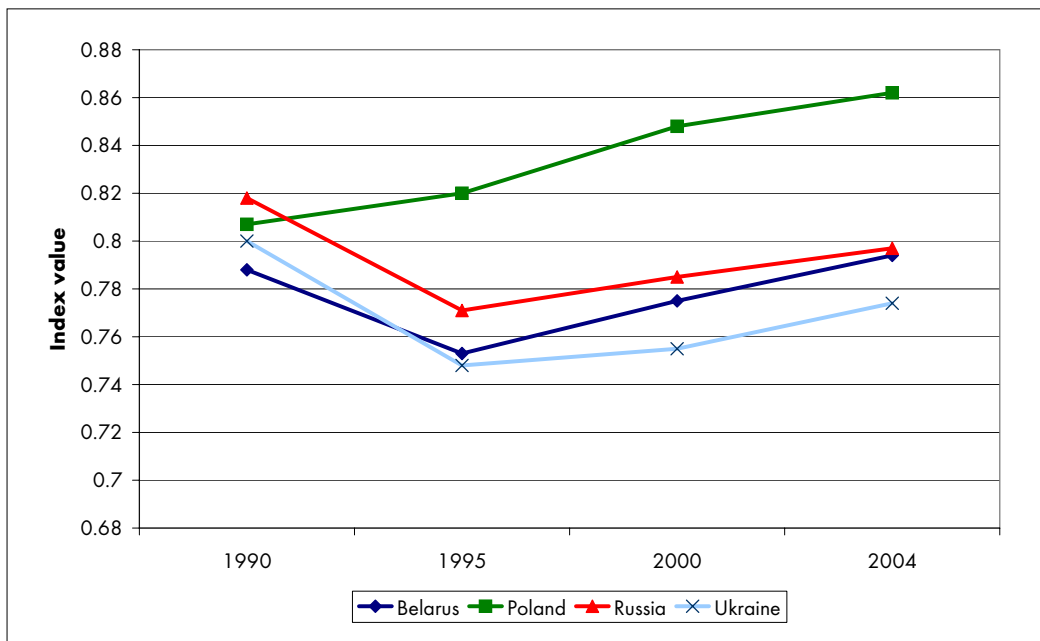
Brief description:

The Human Development Index (HDI) measures the average achievements in a country in three basic dimensions of human development: a long and healthy life (life expectancy), knowledge (adult literacy (2/3) and school enrolment (1/3) rate) and a decent standard of living (GDP per capita in purchasing power parity). Performance in each dimension is expressed as a value between 0 and 1. The HDI is then calculated as a simple average of the dimension indices.

Graph 41: Human Development Index: Index Values and Rankings 2004



Graph 42: Human Development Index: 1975 – 2004



About the Russian Analytical Digest

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle-osteuropa.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the Otto Wolff Foundation and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russlandanalysen* (www.russlandanalysen.de), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen

Founded in 1982 and led by Prof. Dr. Wolfgang Eichwede, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to socialist and post-socialist cultural and societal developments in the countries of Central and Eastern Europe.

The Research Centre possesses a unique collection of alternative culture and independent writings from the former socialist countries in its archive. In addition to extensive individual research on dissidence and society in socialist societies, since January 2007 a group of international research institutes is participating in a collaborative project on the theme "The other Eastern Europe – the 1960s to the 1980s, dissidence in politics and society, alternatives in culture. Contributions to comparative contemporary history", which is funded by the Volkswagen Foundation.

In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and identity formation. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email service with more than 10,000 subscribers in politics, economics and the media.

With a collection of publications on Eastern Europe unique in Germany, the Research Centre is also a contact point for researchers as well as the interested public. The Research Centre has approximately 300 periodicals from Russia alone, which are available in the institute's library. News reports as well as academic literature is systematically processed and analyzed in data bases.

The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, state failure and state building, and Swiss foreign and security policy.

In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS), offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students, and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

The CSS runs the International Relations and Security Network (ISN), and in cooperation with partner institutes manages the Comprehensive Risk Analysis and Management Network (CRN), the Parallel History Project on NATO and the Warsaw Pact (PHP), the Swiss Foreign and Security Policy Network (SSN), and the Russian and Eurasian Security (RES) Network.

Any opinions expressed in Russian Analytical Digest are exclusively those of the authors.

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