

# **The Effect of Corruption on Foreign Direct Investment in Transition Economies: A Panel Data Study**

**Michael Chodziutko**

## **Abstract:**

This paper investigates the FDI inflows into transition economies of Europe. The study incorporates a time series element to help see how investment has changed over time in this region. Corruption and economic conditions are what will be specifically studied in this model. Market conditions are the final independent variable present in this studied, used to try and understand how the market size can influence inflows. The results show that there is a negative relationship between corruption on FDI flows. It was also found that economic growth and integration into the world economy have a positive relationship in attracting foreign direct investment. This study is to be used as a tool for policy makers to entice foreign investment and in turn achieve economic development.

JEL Classification: F21, F41, C32, C33

Keywords: Foreign Direct Investment, Corruption, Trade Openness

<sup>a</sup> Department of Economics, Bryant University, 1150 Douglas Pike, Smithfield, RI02917. Phone: (203) 906-2305. Email: [mchodziutko@bryant.edu](mailto:mchodziutko@bryant.edu).

## 1.0 Introduction

Foreign Direct investment (FDI) has played a key role in the advancement of economies globally. The growth of emerging markets has been due in large part to incoming foreign direct investment (Kuepper, 2018). Companies investing abroad attain higher growth rates and diversify their income. Corporations can also acquire new products and technologies by controlling interest in foreign assets. By encouraging FDI, governments can create jobs and improve economic growth. FDI inflows to transition economies of Europe have been substantial, though variable. To understand the pattern of investment it is important to group the transition economies of Europe into four groups; EU members, Russia, former Soviet and Balkan economies and central Asia. Investment flows to EU member nations have been greater than other regions such as former Soviet and Balkan economies. FDI responded very slowly to the transition process before experiencing a sharp increase in investment around 2003 to these nations.

This study aims to enhance understanding of what independent factors influence FDI inflows, more specifically economic trends and corruption. From a policy perspective, this analysis is important because it could be used to understand which economic factors a government should focus on in order to attract greater investment. This study can be used as a tool for governments to restructure policies and regulations in the attempt to entice investment. The relevance of this study is that transition economies in Europe need to utilize foreign investment to help development. The key benefits of FDI includes economic growth, job creation and employment, and technology transfer.

FDI reinforces insufficient domestic funds to finance both ownership alteration and capital composition (Popescu, 2014). Long-term capital inflows may introduce technology, managerial know-how and skills required for restructuring companies. Post-cold war liberated economies of central east Europe (CEE) and south east Europe (SEE), integrating them into the world economy. 400 million people were now entering the world market, historically cut-off by an economic wall nearly formidable as the political one (Flanigan, 1989). This now allowed access by western Europe of inexpensive but high-quality labor, and a huge new market. The opening of the Soviet Union brings an economy of \$2.25 trillion, in 1998. This huge market is an

opportunity for investment and this investment should lead to mutual benefit between the CEE and SEE nations and their investors.

The relationship between FDI and development are explained by Estrin (2017) in his piece on transition economies of Europe. FDI and GDP for the transition region are closely correlated, at least until 2008. This correlation weakened after the 2008 financial crisis when both GDP and FDI declined. This evidence is consistent with the view that FDI was a significant driver of economic growth across the region (Estrin, 2017). FDI was found to increase output in transition economies and one might expect it to lead to a reduction in unemployment. This prediction is less clear cut because FDI is usually associated with enterprise restructuring. Since firms under socialism were state-owned and had substantial overemployment, it is likely to involve substantial reduction in employment. FDI inflows to this region seem to be associated with higher levels of GDP and lower levels of unemployment in aggregate.

This paper was guided by three research objectives: First, it investigates the interdependence between flows of FDI and how corrupt a government is based on different corruption polls; Second, it incorporates economic stability into the FDI model indicators such as price stability, inflation and openness to trade; Finally, it analyzes the market size of the nation which helps understand what market factors have the greatest influence on FDI. There is a lot of empirical work on this subject but transition economies of Europe aren't as heavily studied. This paper will add to the understanding of FDI flows.

The rest of the paper is organized as follows: Section 2 gives a brief literature review. Section 3 will discuss recent global trends of foreign direct investment. The empirical model, Data and estimation methodology are discussed in section 4. Finally, section 5 presents and discusses the empirical results. This is followed by a conclusion in section 6.

## **2.0 Literature Review**

Foreign direct investment can be a pivotal tool in influencing the development of a developing nation. There are a lot of studies dedicated to the understanding of foreign direct investment inflows and factors that entice it. Canel-Fernandez & Tascon-Fernandez (2018) suggests that FDI lead to the long-term growth of Spain when the nation began to integrate into

the European economy. The attraction of FDI is important to promote economic growth but it is not sufficient in sustaining long-term growth.

Corruption remains a concern when determining the investment in a nation. Certain models seem to find a negative relationship between corruption and FDI inflows, while others lead to a statistically significant relationship between the two variables. “When eliminating GDP per capita in the regression the coefficients for the corruption perception index and control of corruption are positive and statistically significant,” (Epaphra & Massawe, 2017). When including GDP per capita and corruption Epaphra & Massawe (2017) found that the two variables become insignificant. This could be due to the fact that corruption also affects GDP, which could be why other models found corruption to have a negative relationship. Uncertainty leads to businesses taking funds elsewhere as they want to experience a return on investment. In the Balkans, Estrin & Uvalic (2013) found that investment increased by 5% the year after the Dayton Peace Accords were signed, hoping for a better political climate. However, when unsettled political issues continued to progress, the return of large amounts of investment subsided. A stable economy will always lead to an increase in foreign direct investment.

Businesses look to invest in other nations based on various economic traits. The total initial efforts in implementing a project will determine if the project is worth pursuing. Mainly, if the production costs are lower in the host country versus the origin country then a business would be more likely to invest. Market size of the product or service could add value to a project as it would determine how the market will absorb this new initiative. Increased economies of scale help make production more profitable. However, if in a particular sector there are large companies taking advantage of the benefits of the economies of scale, then it is possible that new companies may have problems entering the market (Isachi, 2017). Companies are also strongly attracted by regions with intense economic activity (Isachi, 2017). Countries that offer incentives, such as tax breaks and subsidies, make foreign investment more enticing. Even exchange rates become of interest because the business will be in constant need of holding additional currencies in order to operate in a new economy. Barrell & Holland (2000) found that the goal of governments in Central Europe is to increase the productivity capacity of the economy because this is a major factor in attracting foreign investors. These economic traits can influence the desire of a business to make a foreign investment.

The strength of an economy influences the inflow of foreign direct investment. Factors such as trade openness, exports and imports, and GDP influence the FDI stock. Anil (2017) found FDI inflows are mostly “efficiency seeking” and these impact GDP and trade openness directly. A country's integration into the world economy further builds the case for inflows. There are distinct benefits in opening up an economy in terms of foreign trade and investment. When India experienced import liberalization in 1992 it created an environment open to business which encouraged FDI inflows (Anil, 2017). Higher GDP may lead to greater trade openness which in-turn leads to greater FDI inflows. Teker et al. (2014) conducted a study on transition economies in Asia and Europe and found that increased imports are more important than increased exports in attracting FDI. There was a positive relationship observed between exports and FDI but it was statistically insignificant in both Europe and Asia. While imports also exhibited a positive relationship but was statistically significant for the full sample. Openness of the economy seems to influence FDI greater than GDP does.

Foreign government policy plays a role in the attraction of foreign investment. Policymakers should formulate a long-range plan to improve their macroeconomic climate if they wish to attract investment. Macroeconomic stability, consistent policy and institutional support are among the few factors policy makers should focus on. Min (2001) suggests that strengthening standards of treatment of foreign investors including; settlement and investment dispute, fair and equitable treatment, and transfer of funds and transparency. Removal of market distortions was also observed in Min (2001) study. Factors such as restrictions on entry and establishment, ownership and control and granting incentives could deter or influence investment. Encouragement of competition and minimal restrictive business practices play a role. Finally, protection of intellectual property rights in a legal framework is important for firms. These policies are important when considering where to allocate funds, but it is important to note that how enforced these policies are more important than the policies themselves.

Understanding if FDI actually impacts economic growth is scrutinized by many studies. It is true that foreign investment in the short run does lead to economic growth but it is not necessarily an indicator of the long run development. Gbakou et al. (2008) studied the impact of foreign direct investment in middle eastern countries economic growth. It was observed that no significant independent impact of FDI on economic growth occurred. Indicating that other

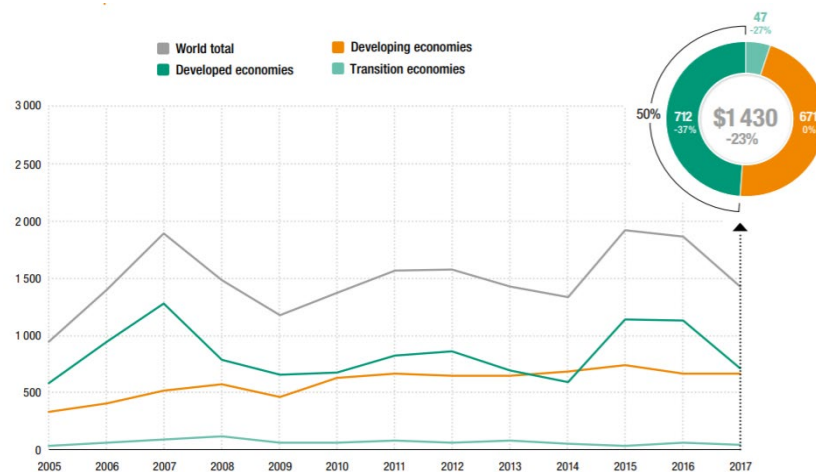
factors within the host country are needed for economic growth. Gbakou et al. (2008) most significant finding was the positive impact that FDI on the economic growth is dependent on macroeconomic stability. There is actually a threshold effect of annual percentage change of consumer prices on the link between FDI and economic growth that proves statistically significant. A finding that contradicts other empirical models indicated that the lack of growth in FDI is not dependent on the degree of trade openness; But this could be observed specifically in middle eastern nations.

This literature review indicates what influences foreign investment. Corruption, unfavorable business environment and lack of world integration deter many foreign investors. Macroeconomic stability is said to be the biggest deterrent as business would be difficult in such a volatile landscape. It is important for policy makers to attract FDI as it has been observed in many nations to influence the economic development of a nation. However, FDI is not going to promise long-run economic growth as long-run growth is only dependent on how the nation is able to adapt to a more open economy. FDI is capable in developing a nation, such as the example of Spain, and policy makers should focus heavily on attracting investors.

### **3.0 Foreign Direct Investment Trends**

Global flows of foreign direct investment fell by 16% in 2017. The decline is in stark contrast to other macroeconomic variables, such as GDP and trade, which saw substantial improvements. It seems that FDI recovery from the 2008 financial crisis has been a bumpy road and the levels of flows have not been able to surpass pre recessionary trends. The slump in flows to developed countries (-27%) was the principle factor behind the global decline. A strong decrease in flows to Europe (-27%) as well as in North America (-33%), mainly due to a return to prior levels of inflows in the United Kingdom and the United States after spikes in 2016 (UNCTAD, 2018). FDI flows fell sharply in developed economies and economies in transition, while remained stable in developing economies. Figure 1 illustrates the global FDI inflows since 2005. As you can see 53% of all global flows went to developed and transition economies while the 47% went to developing economies.

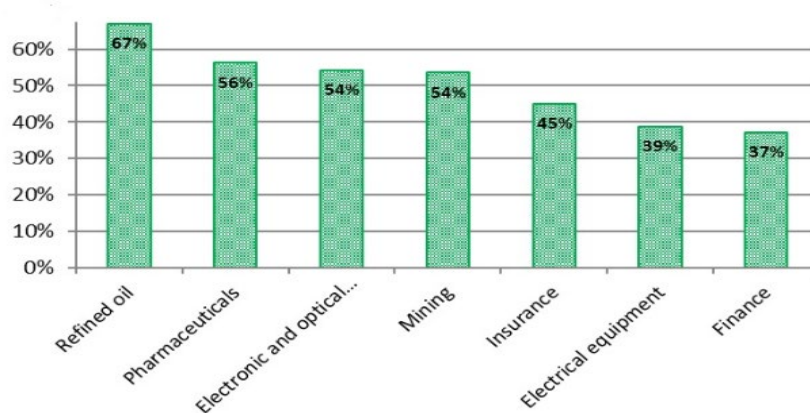
**Figure 1: FDI inflows, global and by group of economies**



Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics))

This negative cycle can be explained by several factors. Recent trends in asset-light forms of overseas operations, which is causing structural shifts in FDI patterns. Also, a significant decline in rates of return on FDI over the past five years have slowed growth. In 2017, the global rate of return on inward FDI was down 6.7%. Rates of return in developed economies have trended downwards but have stabilized. Rates of return remain higher on average in developing and transition economies, but most regions have not escaped this erosion in returns. In Africa returns on investment dropped from 12.3% in 2012 to 6.3% in 2017. Net cross-border mergers and acquisitions and the value of announced greenfield investment, a leading indicator, have declined. A plethora of factors have led to the decline in recent FDI flows.

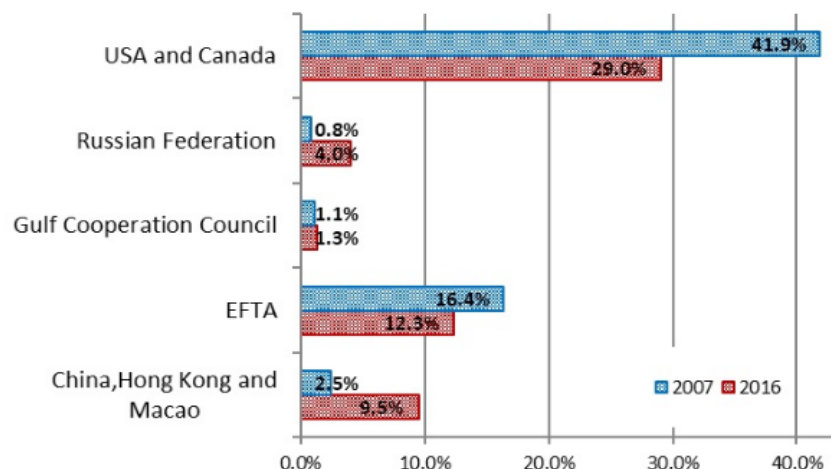
More than 35% of total EU assets belong to foreign-owned companies; this is clearly a result of EU having one of the world's most open investment regimes. Foreign investment stocks held by investors outside of the EU amounted to €6,295 billion at the end of 2017 providing 16 million jobs in Europe. Foreign ownership of EU companies has been on the rise in the last 10 years. The highest sectors with foreign ownership, as shown in figure 2, has been oil refining, pharmaceuticals, electronic and optical products and electrical equipment. There has been a surge in investment from emerging economies, notably China, for aircraft manufacturing and specialized machinery, and India, for pharmaceuticals.



Source: EC-JRC Foreign Ownership Database

Figure 3 shows the percent foreign control of EU companies and how it has changed in the past decade. USA and Canada hold the largest control followed by European Free Trade Association members, which is less than half of what the USA and Canada own. Investment by state-owned enterprises have grown rapidly over the last years. Such companies from China, Russia, and the United Arab Emirates have performed three times more acquisitions in the EU in 2017 than in 2007 (European Commission, 2019).

**Figure 3: Foreign Control of EU Companies**



Source: EC-JRC Foreign Ownership Database

#### 4.0 DATA AND EMPIRICAL METHODOLOGY



## 4.1 DATA

This study uses annual data (times series and panel data) from 1998 to 2010. The data was obtained from the World Development Indicators (WDI) and the World Governance Indicators. The data included transition economies of Europe; Albania, Bulgaria, Croatia, Serbia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovenia. I also decided to include Greece in my study as it is a south east European nation and believe this economy isn't as developed as other nations in Europe. Summary statistics for the data are provided in Table 1.

Table 1: Summary Statistics					
Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
<b>LN(FDI/POP)</b>	168	5.373	1.586	-1.692	8.919
<b>LN(GDPPC)</b>	168	8.807	0.814	6.701	10.373
<b>LN(CPI)</b>	168	1.45	1.05	-2.995	4.553
<b>LN(OPEN)</b>	168	4.46	0.332	3.185	5.065
<b>LN(POPGROWTH)</b>	168	4.461	0.332	-1.903	1.428
<b>Regulatory Quality</b>	168	0.644	0.539	-0.856	1.419
<b>Control of Corruption</b>	168	0.1785	0.551	-1.201	1.121
<b>Rule of Law</b>	168	0.341	0.628	-1.271	1.258

There are some limitations to the data of this model. The three corruption variables had missing data for years 1999, 2001, and 2003. To overcome this obstacle without losing all those years, I averaged the year prior and year after to get a corruption perception score. The dependent variable should be lagged by a year because it would make more sense to see the FDI flows a year after the data was gathered. The dependent variable is probably more effected by the year prior to the investment than the current year of investment. The corruption variables were a limitation because a point increase in this variable is hard to capture as that would be a drastic change in the corruption experienced in a nation. However, when the variable was logged it became insignificant in all of the models. My models had low overall R-squared with none of my models reaching an R-squared over 0.25. This is probably the largest limitation of my model as the regression has pretty low explanatory power. At minimum a model should possess an R-squared of at least 0.40.

## 4.2 Empirical Model

Following Epaphra and Massawe (2017) this study adapted their model. This study utilized the same variables found in that study while manipulating some of the independent variables. I decided to exclude some of the corruption variables that were deemed to be unimportant. The model could be written as followed:

$$\text{LN(FDI/POP)}_{it} = B_0 + B_1\text{LN(GDPPC)}_{it} + B_2\text{LN(CPI)}_{it} + B_3\text{LN(OPEN)}_{it} + B_4\text{LN(POPG)}_{it} + B_5\text{CC}_{it} + B_6\text{RQ}_{it} + B_7\text{RL}_{it} + \epsilon$$

LN(FDI/POP) is the annual in-flow of FDI to country  $i$  at year  $t$ . FDI is used as an endogenous variable. It represents the amount of foreign investment divided among the population, or FDI per-capita. Various studies look at FDI as total investment or FDI as a percentage of GDP (Teker et al. 2013; Lal 2017; Min 2001). I opted to include FDI per-capita as this study focuses on the change on investment of transition economies that likely experience little significant investment and I wanted to remain in line with the study that is attempted to be replicated. This is the only dependent variable accounted for in this study.

Independent variables consist of seven variables obtained from two sources. Appendix A and B provide acronyms, description, expected signs and justifications for using the variables. First, LN(GDPPC) $_{it}$  (size of country  $i$  at year  $t$ ) represents the per-capita income of a country. Second, LN(CPI) $_{it}$  is a proxy to indicate the price change year over year of a fixed basket of goods which is shown by CPI. Third, LN(OPEN) $_{it}$  is a calculated field that sums exports and imports, as a percentage of GDP. This variable helps to indicate the integration of an economy into the world market. Fourth, LN(POPG) $_{it}$  is population growth year over year which tries to encompass the growth of a nations market size. Fifth, CC $_{it}$  is the perception of how corrupt a government is based on how much public power is used for private gain. This perception is on a scale of -2.5 to 2.5, a greater number indicates a cleaner government. Sixth, RQ $_{it}$  captures how well regulations in business are developed in an economy, once again from a -2.5 to a 2.5 index. Finally, RL $_{it}$  is an index on the ability of agents to abide by and implement laws of a society, again from a -2.5 to 2.5 index.

## 5.0 EMPIRICAL RESULTS

The empirical estimation results are presented in Table 2. There seems to be a positive relationship between all of the independent variables and the impact on FDI inflows. I ran a fixed effect and random effects model on the three models I worked with, each including a different corruption variable. I then utilized the Hausmann test in order to indicate which model was of better fit. The first model the test rejected the random effects model and the other two models the test rejected the fixed effects model.

**Table 2: Regression results for European Transition Economies**

	<b>FDI Per-Capita</b>					
	Fixed Effects			Random Effects		
	I*	II	III	I	II*	III*
<b>Constant</b>	-8.56 (2.9638)	-8.33 (3.065)	-8.6 (3.175)	-8.47 (2.6215)	-8.12 (2.7097)	-10.10 (2.7549)
<b>GDP Per-Capita</b>	0.83*** (0.2544)	0.59* (0.3057)	0.71** (0.2978)	0.59*** (0.2049)	0.57*** (0.2172)	0.72*** (0.2282)
<b>Inflation</b>	0.19 (0.1283)	0.19 (0.1297)	0.13 (0.1295)	0.12 (0.1195)	0.13 (0.1208)	0.12 (0.1185)
<b>Openness</b>	1.356* (0.8107)	1.62** (0.8039)	1.58* (0.8096)	1.87*** (0.5535)	1.83*** (0.562)	2.03*** (0.5386)
<b>Population Growth</b>	0.075 (0.354)	0.031* (0.358)	0.15 (0.3604)	0.0021 (0.3436)	-0.003 (0.341)	0.0034 (0.3402)
<b>Control of Corruption</b>	1.29** (0.603)			-0.016 (0.3871)		
<b>Rule of Law</b>			0.94 (0.819)			-0.40 (0.3872)
<b>Regulatory Quality</b>		1.39* (0.8151)			0.074* (0.4465)	

The signs of each variable is as expected. I did expect that inflation would have resulted in a negative sign as increased inflation indicates that the macroeconomic climate maybe unstable. However, it is true that a two percent inflation rate is a desired rate of price growth which looking back should have been controlled for. GDP and trade openness seem to be the greatest factor in attracting foreign investors. This is consistent with the results found in Epaphra & Massawe (2017). Population growth experienced a negligible impact in attracting foreign investment as maybe this isn't necessarily a factor in attracting investors. Estrin & Uvalic (2013)

found in their study that population growth led to increases in foreign investment, which is daunting as to why this model didn't capture that. Control of corruption and regulatory quality exhibited the expected signs because when a government becomes cleaner and implements sound policies it builds security for investment. Rule of law did not exhibit the expected sign but this variable only indicates how well laws are enforced in the country. This may not be of concern to investors as this structure does not affect business practices.

GDP per-capita is significant to the one percent and trade openness is significant to the one percent in two of the models and significant to the ten percent in the first model. Control of corruption was found to be significant to the five percent and regulatory quality was significant to the ten percent. Inflation and population growth were found to be insignificant in all of the models. Rule of law, the final corruption variable, was found to be insignificant when tested. Interpreting these results in terms of relative change in the independent variables leads to two points. First, the effect of trade openness and GDP growth have a significant impact on the inflows of FDI. Although the impact may be negligible, macroeconomic stability and world economy integration are key in increased investment. Second, the perception on the use of public power for private gain and the development of business regulatory framework are of importance to foreign investors.

## **6.0 CONCLUSION**

In summary, both macroeconomic stability and corruption are relevant to control when a nation is attempting to attract foreign investment. In previous studies it was found that inflation and population growth can influence the amount of foreign investment but this was not observed in this study. Something that could explain this is these nations have not experienced significant population growth during this time period and even experienced negative growth for a lot of the years. It seems that the most important factor in attracting investment is trade openness. As a percentage increase in trade openness of an economy leads to as much as a two percentage increase in FDI per-capita. GDP per-capita is the second most significant factor in this study but the increased impact was sub-one percent. The corruption of a government and the regulatory quality of a nation is observed to have a significant impact on foreign investment. Transition economies should initially focus on developing a stable economic climate in the pursuit of investment. Governments should also open up the economy to the world as openness of trade has

the largest increase in investment. Closed economies are never ideal for economic growth and investors know this. As for corruption, a country should focus on creating a government that doesn't allow public officials to use their power for their own private gain. For investors to have confidence in their investment it seems they require government regulation in business that is followed universally. The implementation of anti-trust laws and the treatment of foreign investors entices investment and could be a policy that transition economies should focus on implementing. Foreign investment can be utilized to push a transition economy into developed status.

## Appendix A

Variable	Acronym	Description	Data Source
Foreign Direct Investment	LN(FDI/POP)	Measures the amount of foreign direct investment inflows, in USD, divided by the population.	WDI
Market Size	LN(GDPPC)	Measures the gross domestic product per capita, in USD.	WDI
Inflation	LN(CPI)	Measures the year over year change of a basket of fixed goods, indicates the amount of inflation experienced in a nation.	WDI
Degree of Openness	LN(OPEN)	Calculated by adding the imports and exports of a nation, as a percentage of GDP, indicating the openness of an economy.	WDI
Population	LN(POPG)	Measures the year over year change in total population growth of a nation.	WDI
Control of Corruption	CC	Perception of the extent to which public power is exercised for private gain, including petty and grand forms of corruption (-2.5:2.5 scale).	World Governance Indicators
Regulatory Quality	RQ	Perceptions of the ability of the government to formulate & implement sound policies and regulations that permit and promote private sector development (-2.5:2.5 scale).	World Governance Indicators
Rule of Law	RL	Extent to which agents have confidence in and abide by the rules of society (-2.5:2.5 scale).	World Governance Indicators

## Appendix B

Acronym	What it Captures	Expected Sign
<b>LN(GDPPC)</b>	Captures the market size of the country based on per-capita income.	+
<b>LN(CPI)</b>	Captures macro stability in a nation based on stable price growth.	+/-
<b>LN(OPEN)</b>	Captures the trade openness of a nation and its integration in the world economy.	+
<b>LN(POPG)</b>	Captures the growth of the market in a nation.	+
<b>CC</b>	Indicates how other countries view a nation based on the perception on how much public power is abused	+
<b>RQ</b>	Indicates the perception of how well defined business regulations in protecting fair practices	+
<b>RL</b>	Captures the confidence in the ability laws are followed	+

## Bibliography

- Estrin, S., Uvalic, M., 2013. Foreign Direct Investment into Transition Economies: Are the Balkans Different? SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.2293100>
- Gbakou, M., Jallab, M.S., Sandretto, R., n.d. Foreign Direct Investment, Macroeconomic Instability And Economic Growth in MENA Countries 24.
- Lal, A.K., 2017. FOREIGN DIRECT INVESTMENT, TRADE OPENNESS AND GDP IN CHINA, INDIA AND MEXICO. *The Singapore Economic Review* 62, 1059–1076. <https://doi.org/10.1142/S0217590815501076>
- Slăvescu, V., n.d. FACTORS DETERMINING THE FOREIGN DIRECT INVESTMENTS – THEORETICAL APPROACHES 2, 16.
- Teker, S., Tuzla, H. and Pala, A., 2013. Foreign direct investments: Asian and European transition economies. *International Journal of Economics and Financial Issues*, 4(1), pp.71-82.
- Epaphra, M. and Massawe, J., 2017. The effect of corruption on foreign direct investment: A panel data study. *Turkish Economic Review*, 4(1), pp.19-54.
- Barrell, R. and Holland, D., 2000. Foreign direct investment and enterprise restructuring in Central Europe. *Economics of Transition*, 8(2), pp.477-504.
- Cañal-Fernández, V. and Fernández, J.T., 2018. The long run impact of foreign direct investment, exports, imports and GDP: evidence for Spain from an ARDL approach (No. 0128).
- Min, K., 2001. The Effects of Foreign Government Policies on the Location of US Direct Investment Abroad. *East Asian Economic Review*, 5(1), pp.77-117.
- Foreign direct investment report: continuous rise of foreign ownership of European companies in key sectors. (2019, March 13). Retrieved April 23, 2019, from [http://europa.eu/rapid/press-release\\_IP-19-1668\\_en.htm](http://europa.eu/rapid/press-release_IP-19-1668_en.htm)
- Kuepper, J. (2018, December 7). What Is Foreign Direct Investment and Its Impact on Investors? Retrieved April 30, 2019, from <https://www.thebalance.com/what-is-foreign-direct-investment-1979197>
- Popescu, G., 2014. FDI and economic growth in Central and Eastern Europe. *Sustainability*, 6(11), pp.8149-8163.
- Flanigan, J. (1989, November 26). Economics After the Cold War : Global change: Public euphoria for East Bloc reform may be matched by enormous commercial progress. But the process won't be painless. Retrieved April 30, 2019, from

<https://www.latimes.com/archives/la-xpm-1989-11-26-fi-166-story.html>

Estrin, S. Foreign direct investment and employment in transition economies. IZA World of Labor 2017: 330 doi: 10.15185/izawol.330