

THE BUCHAREST UNIVERSITY OF ECONOMIC STUDIES

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ORGANIZED CRIME AND CORRUPTION – THE IMPACT ON FDI

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EXECUTIVE SUMMARY

The late 20th century saw the commencement of a new era in Eastern Europe with the fall of the Berlin wall and dissolution of the Soviet Union. The year 1989 is remembered for not only being a year when communism collapsed bringing massive political change but also marked the beginning of an economic revolution which would transform this region forever. This thesis aims to examine how FDI (foreign direct investment), corruption, organized crime and economic development interrelate in Eastern Europe after communism. Therefore, it applies various methodologies such as literature review, bibliometric analysis, and empirical investigation to analyze FDI trends from 2000 to 2022 and governance indicators. Finally, it presents evidence from Romania that reveals how corruption affects foreign investment decisions.

Through an interdisciplinary approach to this topic, a wider scope is achieved that focuses on investor potential and societal risks in transitory economies.

The research used a mixed-method approach that included systematic review of literature on corruption, organized crime and FDI in Europe since 2000, bibliometric analysis using QDAminer and the Scopus database as well as empirical analysis of World Bank Governance Indicators and FDI data for CEE countries to show a subtle pattern of economic transformation across the region. Furthermore, the thesis presents findings from a survey conducted among business people operating in Romania that looked into their understanding of corruption in the country and its effects on foreign investments or business practices.

According to results, EU accession was a positive signal for foreign investors but endemic corruption posed considerable barrier towards economic development. The study elucidates the thin line amid chances for prosperity versus long-lasting influence of history upon these

transitioning economies. The examination on governance indicators showed complicated relationships between different dimensions of institutional quality e.g., rule of law, control over corruption and FDI inflows.

The paper makes a significant contribution to the literature on post-communist transition by creating a new conceptual framework that encompasses economic, legal and societal aspects. This type of interdisciplinary approach helps fill in the gaps in the existing literature and lays the foundation for future academic inquiry.

The thesis demonstrates how governance quality, corruption control policies and FDI promotion strategies interact in complex and often nonlinear ways. It suggests that direct policy approaches are not always effective in building an attractive environment for investment. The research highlights historical context and institutional path dependencies as important considerations when examining economic outcomes within transition economies.

Results of this survey make an important contribution to the corruption-FDI literature by showing that Romania has a relatively good business climate, although it is corrupted especially within public institutions. EU membership was the biggest benefit for conducting business in Romania; however, corruption and inefficient institutions were major negatives. According to this research, subtle influence and favour-trading effect public and private sector contacts, although overt bribery is rare. Using corruption to speed up processes or gain specific benefits indicates corporate inefficiency.

Policy implications from this study include industry specific measures aimed at fighting corruption directly; institutional reform measures such as rule of law strengthening as well as leveraging integration process with EU towards economic development. These policy proposals are explicitly meant for handling the challenges of post-communist nations in dealing with globalization and attracting proper foreign investment.

The findings show that CEE policy makers should develop a comprehensive approach to attract FDI, as well as improve local institutions and promote inclusive economic growth. This is why governance has to be improved on an ongoing basis, anti-corruption measures have to be taken, and FDI flows should be aligned with broader development objectives.

Keywords: Foreign Direct Investment (FDI); Multinational Firms; International Business; Shadow Economy; Organized crime; Corruption; Post-communist transition; Governance

indicators; European integration; Central and Eastern Europe (CEE); Romania; Anti-corruption measures; Business climate; Globalization