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# THE ANALYSIS OF THE ROLE OF CAPITAL INVESTMENT IN ECONOMIC DEVELOPMENT

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## Abstract

*The evolution of a country can be achieved by increasing consumption, increasing investment, or by a joint strategy of balanced consumption and investment. Because it has lost interesting periods in which it has been able to self-expand its investments, it is now acutely an issue that they grow by attracting foreign direct capital investment and higher access to European funds. Local investments need to be increased, but they are limited to the consolidated budget. Thus, regardless of desires, we are unable to invest internally more than the annual budget allows. Under these circumstances, the objective in the field of inevitability is to attract foreign capital, or this can not be achieved without a policy of stimulating them. Therefore, facilities should be granted because the attraction of foreign capital is, in all respects (financially, profitably, debt relief, improvement and payment of labor, etc.), superior to domestic or international credits. Also, accessing European funds is a large financial reserve that is not yet being capitalized.*

**Keywords:** *investments, domestic capital, foreign capital, companies, budget*

**JEL Classification:** E22, F21

## Introduction

In the study of this article, the authors make a presentation of the conclusions reached. First, there is a presentation of the general framework on Romania's evolution, resulting in a series of shortcomings that have occurred in privatizations, investment legislation and others. Then there are the factors that have an effect on the increase of investments, highlighting the advantages offered by Romania's quality as a member country of NATO and the European Union. Emphasis is placed on the fact that foreign capital investment (direct capital investment) must be a constant priority of Romania. In this context, the evolution of the incorporation of trading companies with foreign capital is presented in the period 1991-2017. The study shows that in recent years both

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the number of foreign companies registered in Romania and the volume (the value) of the foreign capital that has crossed the „border of the country” have decreased.

The structure of foreign investors’ participation in the territory is also highlighted and argued with figures. It follows that there are many counties or development regions where foreign capital investments are minor. The article also provides a brief presentation of domestic capital investment.

### **Literature review**

Anghel, Anghelache, Avram and Burea (2017) analyzed the important role of foreign direct investment in the economic development of a country. Anghel, Anghelache, Stanciu and Popovici (2016) presented a series of issues regarding the substantiation of the investment decision. Anghelache (2018) conducted a study on the economic and social evolution of Romania in the time span from the Great Union to the present. Anghelache, Anghelache and Sacala (2016) analyzed how capital investment in Romania evolved. Anghelache, Anghelache, Niță and Sacala (2015) presented a model of FDI analysis. A similar theme is dealt with by Blonigen, Davies, Waddell and Naughton (2007). Anghelache and Sacal (2014) studied the correlation between investment and the business environment. Cicak and Soric (2015) studied the link between foreign direct investment and gross domestic product. Michelis and Monfort (2008) addressed issues relating to regional convergence and European cohesion policy. Pistoiresi and Rinaldi (2012) studied the correlation between international trade activity and economic growth. Popielas (2012) referred to the harmonization of investment services in the European Union, while Stępniaak (2015) proposes interactive maps as a tool for investment processes.

### **Research methodology, data, results and discussions**

#### **• The general framework**

The economic and social results recorded by Romania after 2010 highlight an unprecedented fall.

The unity of the indicators on the basis of which quantitative and qualitative assessment can be made, the economic evolution marks an upward trend compared to previous periods.

The National Bank’s foreign exchange reserves recorded a slight increase, being satisfactory at the end of 2016, by attracting a quantity of existing currency to the population.

A simple calculation leads to the conclusion that there are currently about eight to nine billion euro / dollars in the population, not covered by bank accounts.

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Although exports will remain at a high level, preserving their trend in recent years, however, due to growth and imports, the trade balance will remain weak.

Getting new credits will depend on how Romania will act in the process of integration into the European Union and will depend on accessing European funds and attracting foreign direct investment.

Since 1990, there has been a steady decline in the external trade balance.

In the circumstances presented, there are practically too many saving measures. Among them: attracting foreign capital investments in Romania would be desirable, but uncertainty about the evolution of the Romanian economy and the lack of a coherent legislative framework do not stimulate foreign investors.

Regarding the economic recovery through capital investment, we mentioned the attraction of foreign capital investment, because the prospect of a significant increase in the real self-owned capital is more difficult to believe will be the optimal solution.

If it does, the private companies that appear to be consolidated will no longer be able to launch the privatization process due to lack of financial resources. Capital loans can not be used for capital investment purposes, not only due to legal provisions but also due to the high interest rates charged by commercial banks.

In this context, the attraction of domestic and foreign capital and investments is a real way of evolution in any economic situation, both in Romania and in the world, and in Europe in particular.

It is easy to understand that major foreign investments would have the effect of: replacing the loans that Romania needs to use; re-technologization of autonomous societies and regions; introducing a new management model; ensuring qualification and specialization of staff; using the external market segments of those who invest, thus eliminating external competition; raising the quality of production and, last but not least, decentralizing the activity and developing the market economy.

• **Growth, an objective necessity**

As is well known, the renewal of fixed assets, their improvement, the development of new production capacities endowed with international technology requirements represent priorities for any economy that wants to maintain its balance, a constant process of macro-level development.

In countries such as Romania, which is in the process of transition to a market economy, the need to attract investment in areas that are appropriate to develop is an objective necessity.

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Romania, as well as the other Eastern European countries, had an integrated industrial development where production capacities worked interdependently and provided, at a qualitative level more or less appropriate, the necessary products for the domestic market and a surplus for exports in markets that accept the quality of those products.

Since 1990, an extensive process of transforming the Romanian economy from a superetatized one into a market economy has begun. The idea is not only beneficial but vital to ensuring a new revival of the Romanian industry.

From these intentions, to the concrete ways in which the economic reform and privatization were attempted, is a much longer path.

We recall that in 1990 two hypotheses were issued which, in their association, gave a global picture of the level of Romanian economy at that time, and they were also the theses of reform, restructuring and privatization further elaborated.

On the one hand, there was talk about „record production” farming and many other critical issues, making „the big bet with agriculture.”

Twenty-six years after the launch of this bet, we find, with great disappointment and growing concern, that this bet has not been abandoned but practically shattered by a reality that makes agriculture regress from all points of view (endowment, agrotechnics, results, etc.), to a comparable stage, possibly with the interwar period.

On the other hand, the industry was affirmed axiomatically how that it would be „a bunch of old beasts”, the fruit of a „megalomaniac” conception.

Now we find that these old beasts are also terribly rusty, without having anything special implemented in the spirit of the millennium.

An important aspect, which should have been taken into account by those who took over the destinies of the national economy, was the need to continue, finish and put into operation the investments in progress at that time.

Unfortunately, in many such cases, work has been interrupted, postponed or stopped, causing great losses to both the involved businesses and the economy as a whole.

On this background, the evolution of investments was different from other sectors of the national economy. Thus, in a first phase after 1990, a drastic decrease of the centrally distributed investment funds was noted, as the germ of private capital could not fill the gap left by the interruption of activities and the non-allocation of new amounts from the state budget in this field.

Thus, in the first three or four years after 1990, the allocation of funds for some modernizations was highlighted, with private capital focusing on investments in the field of refurbishment (especially by imports of machinery

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and other fixed assets in general) or the construction of production capacities or reduced size sales.

Of course, this is a characteristic of the market economy, but in this way many resources were wasted in the ongoing investment projects.

In a second stage, it is noted that the resources created in the privatization process were directed to investments, a process that could have been more sustained under more stimulating tax legislation.

Against this background, the volume of investment, even in the strong, domestic and international economic crisis, has remained at a constant level, with slight increases from one period to the next, until 2008, when the effects of the crisis began.

Specifically, investment funds were directed to machinery imports, neglecting the ability of the Romanian industry to become competitive on the foreign market by upgrading.

Under these circumstances, the re-launch of the Romanian industry, the economy in general, in the context of the market economy laws and requirements, not only remains a desideratum, but it is noted that the level of degradation of both the large industry and the other sectors activity is accentuated, this process is getting an irreversible trend. Both the trend and the higher share of investment for fixed assets, compared to those allocated to constructions, are noted. The main investments made during the analyzed period were directed to the manufacturing, electricity and thermal industry, agriculture and the tertiary sector (trade, post and telecom, public administration).

Public sector investments, the main purpose of which is infrastructure works, were mainly focused on areas of national interest: electricity, mining, manufacturing, but also postal and telecommunications.

It is noted the growth rate in programs of European interest and the accentuated share of investments in machinery. Investments in the private sector, also increasing, have been particularly focused on the purchase of transport equipment, especially from import. In this sector, investments were mainly directed in the tertiary sphere, especially in the area of commerce.

#### **• Factors with an effect on investment growth**

An extremely significant example in this respect could be the programmatic objective of great accuracy and topicality, to which the political class has been endeavoring to take efforts, steps and sacrificial decisions, namely Romania's accession to the economic and political structures west-European Union, respectively the European Union and NATO.

In the context of the new geopolitical and economic situation in Europe, adherence to these structures was even an abstraction of the

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„hyperbolised” theme of „Romania’s reintegration into Europe”, a desideratum of profound objective determinations of an economic and political nature, as well important and much wanted by any of the Romanians.

The way of approaching the accession issue by Romania, on the one hand, and by the two structures, on the other hand, was different.

It is easy to understand that both NATO and the European Union have accepted in their entourage a country - Romania - that has economic stability, has a well-established infrastructure and also has a social and social peace verified and guaranteed internal policy, these being clearly stated performance criteria valid for all former candidate countries.

These criteria necessarily trigger a causal relationship in the sense that their fulfillment leads to accession, which in turn has become a prerequisite for even greater economic, political and social stability, on the basis of which possible new developments of the structure, superstructure and infrastructure of the country.

I think that the opinion of those who believed that Romania’s integration into the European Union and NATO was a kind of panacea for all the problems and only secondly they thought about the development of the infrastructure and the other macro- economic.

Let us synthesise the situation created after 1990 to the present: the economic restructuring process could not undoubtedly have the first consequence, the emergence and increase of unemployment. Hence, new problems for Romania, which was not accustomed to using officially the word unemployment. At the same time, the inflation embryo, the fall of the national currency, the highlighting of the precarious quality of Romanian products whose access to the European markets has become increasingly difficult, and the general economic decline has become inevitable have been created.

In this context, the strategy to force, only by political means, the penetration into the European Union and NATO was the only option. However, today Romania is in NATO and since January 1, 2007 and in the European Union. Nevertheless, understanding what will follow the „two adhesions”, especially in the context of the policy promoted by the new president of Romania, a retrospective of the twenty-three year space has made sense even for the archive.

I think it was more fertile if it started from the fact that the redundant labor force, which in the meantime became the unemployed, could be used with increased efficiency in achieving at least one of the accession criteria, namely the development of the infrastructure in our country.

The State, as the owner of industrial activities such as cement, bitumen and other products needed for the development of roads, roads, etc.,

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including the necessary machinery, could easily pass immediately after 1990 lack of redundant labor and to improve this element of infrastructure.

What would have happened?

First of all, a number of commercial companies or self-governing regies, either privatized on questionable amounts or faced with production difficulties and financial resources, would have become very profitable by exploiting and capitalizing on large quantities of products. Thus, at least the cement factories in Fieni, Hoghiz, Medgidia and others would carry out activities with great profitability, which would have been able to create, through profits obtained, sources of income to the state budget.

On the other hand, the use of the redundant workforce to build these infrastructure elements would have relieved the state social insurance budget from paying significant sums in the form of unemployment benefits or allowances and other amounts available to the labor force. Of course, it would also have become easier to digest the passage of a significant number of people from productive activity, mining, etc., which, as time passes, are no longer efficient in the development of infrastructure, a useful and efficient conversion process for the workforce. Under these circumstances, it would have been easy for Romania to benefit from a special infrastructure, to absorb the large part of the unemployment created and thus to face fewer socio-economic problems.

In such a situation, it would have been easy to assume that the European Union and especially NATO, interested in being present in the area, would have appreciated that Romania has a dignified infrastructure and would have thought very quickly that it is necessary to attract Romania into the constellation of EU and NATO member states, so as to create the conditions of connection with the Republic of Moldova, Ukraine, Turkey and the Asian region.

But these developments have not been recorded, and it is probably more efficient to privatize important sectors of cement production, bitumen production, etc., at amounts that can be redeemed at any time, creating great difficulties for the reconstruction of the infrastructure in our country . Because of this, we were left „last.” It is easy to assume, in context, that the European Union countries have in other terms considered the acceptance of Romania in the structures of the union, often advancing a possible postponement of a positive decision.

At the decision-making levels of the European Union, Romania's accession was put in private terms. These countries have realized that Romania's entry will require substantial financial efforts on their part to modernize the infrastructure elements, and Romania is not ready to access such funds.



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No one thinks privatizing infrastructure is a bad thing. It is bad that since 1990, the infrastructure has not even been privatized, nor has it been upgraded by using domestic resources that our country has in abundance.

Turning to the substantive issue of reform and privatization in Romania, it is not hard to see that in all countries, but especially in those that were in the process of transition to a market economy, maintaining a mixed economy is a necessity .

Therefore, the privatization of certain sectors of activity should be done only when the conditions have been created for this process to be done efficiently and profitably for the macroeconomic system. Unfortunately, large enterprises, some producing for export, were slowly, but irreversibly, left behind, with large debts to the state budget, the social security budget and other autonomous administrations.

Others have been hurriedly privatized with the limited participation of foreign investors without a special competition, so that the proceeds received are not at the level required by the performance of these companies or autonomous regies, not to mention the privatizations missed by the cause of the lack of creditworthiness of some investors that are not sufficiently verified (you might appreciate that the process of degradation of some enterprises was the result of „intentions” to bring them below the value of „zero” and then privatize the property to whom they should „).

It is easy to give examples such as: IMGB, DACIA, ROMCIM, ROMTELECOM, the dramatic TEPRO, the privatizations of the steel plants Reșița, Galați, Hunedoara - to find out now what reserves the evolution of these privatizations - not to mention a series of factories producing chemical fertilizers whose privatization did not mean a qualitative leap for the realization of special productions and the recovery of the respective companies, but their liquidation. Many privatizations were, ultimately, real estate exercises. Now, in order to get rid of the „crisis” trauma, we try to introduce private management or privatize the last state-owned enterprises (energy, railways, mining, etc.) at the IMF’s indication.

We appreciate in this context that it is not too late to take the necessary steps to increase the attractiveness of those interested and financial availability to participate in the privatization process or to invest together with partners in our country amounts to ensure the balancing and, in particular, the prospect of relaunching some activities through internal and / or external investment.

- **Investing in foreign capital is a priority**

We have mentioned above as a vital solution for stopping the economic downturn and strengthening the recovery process, attracting foreign



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capital investment, as the prospect of real domestic capital growth can not be said too much.

The realization of domestic capital investments due to bank loans can not be taken into account, both due to the legal provisions in force and due to the high level of interest rates applied, and why not due to the very crisis which is increasingly evident in the level of the banking system. In this context, attracting capital and foreign investment is the only way of real evolution in any economic situation, both in Romania and in the world in general, and in Europe in particular. Unfortunately, too little has been done in this area, and in many cases when something has been done, the opposite has been done.

Domestic legislation and fiscal policy were the two major obstacles to foreign capital entering the Romanian market. After things have settled somewhat and a number of foreign investors have shown their willingness to invest in Romania, a new bomb exploded. In the desire to balance the budget, I do not say for the rectification, in order to bring extra income, the simple way of arithmetic was used.

That is, some excise duty has been added, VAT has been introduced for some transactions, etc. without a thorough analysis and a simulation being attempted to see the effect of the measures taken. The bitter conclusion will be:

- investors take a longer moment of analysis and try to make anticipations;
- the measures did not have the expected effect, on the contrary, consumption decreased, consequently the export was diminished and the investors investors changed their minds;
- incomes to the state budget come from exaggerated taxation and not from the concrete economic incomes;
- the external image is affected and our expectations are removed;
- the new quality of romania as a member of the european union changes somewhat the data of the problem, but it is still our task to prepare thoroughly the projects on which to access the funds we have.

It is clearer than ever that for Romania the need for capital is vital, in the context of the fact that the foreigner, for very different reasons, and because of a law not exactly adequate, has a great restraint in penetrating the Romanian market.

Foreign direct investments in 2009 due to the negative impact of the crisis amounted to only 3,512,610.5 thousand euros, being in 2010 of 3,914,440.6 thousand euros, 3,329,432.4 thousand euros in 2011, 2,856,416, EUR 6 thousand in 2012, EUR 2,355,803,8 thousand in 2013, EUR 3,877,239.8

thousand in 2014 and EUR 1,239,305.8 thousand in 2015. The situation in 2016 shows the decrease in foreign capital, which has increased, however, in 2017.

It is hard to imagine why in 2009-2012 there were no other measures taken to stimulate foreign investors, given that the social and political situation constituted a barrier to those who would be willing to invest in our country.

There must be no restraint in regulating the incentives to attract foreign capital and encouragement of domestic capital, because everything that is invested in Romania through Romanian trading companies, regardless of the origin of the capital, is national wealth.

### Registration of companies with foreign participation in the subscribed share capital, between 1991 and June 2017

Table 1

	Înmatriculări de societăți comerciale Registrations of commercial companies		Valoarea capitalului social total subscris exprimat în: Value of total subscribed social capital expressed in:					
			monedă națională national currency			valută foreign currency		
			număr number	structură structure - % -	mii lei lei thou	structură structure - % -	mii dolari SUA USD thou	structură euro thousand - % -
TOTAL / TOTAL	212752	100.0	164455931.9	100.0	59915215.3	100.0	45510556.1	100.0
1991	5499	2.6	258165.5	0.2	1058260.8	1.8	817975.6	1.8
1992	11765	5.5	65153.0	-)	573271.2	1.0	443106.2	1.0
1993	10583	5.0	92793.2	0.1	417844.8	0.7	322970.3	0.7
1994	11053	5.2	230535.9	0.1	881673.3	1.5	681483.5	1.5
1995	3400	1.6	67893.9	-)	237717.0	0.4	183741.8	0.4
1996	3630	1.7	229256.3	0.1	573594.2	1.0	443355.8	1.0
1997	5251	2.5	232229.8	0.1	359912.8	0.6	278192.2	0.6
1998	8801	4.1	728612.4	0.4	755475.3	1.3	583939.6	1.3
1999	7383	3.5	1214843.7	0.7	944365.3	1.6	729940.9	1.6
2000	8567	4.0	1870247.9	1.1	839143.8	1.4	648610.6	1.4
2001	7175	3.4	4820820.8	2.9	1540810.8	2.6	1190959.4	2.6
2002	7518	3.5	3541822.9	2.2	1078746.2	1.8	833809.6	1.8
2003	6609	3.1	4441402.8	2.7	128886.0	2.1	996235.1	2.2
2004	10167	4.8	9040577.5	5.5	3032218.4	5.1	2343732.9	5.2
2005	11719	5.5	7173157.1	4.4	3149681.6	5.2	2434525.4	5.3
2006	12823	6.0	6646972.2	4.0	3127314.6	5.2	2417237.0	5.3
2007	15720	7.4	7737574.2	4.7	3314201.6	5.5	2389392.2	5.3
2008	12264	5.8	15034925.8	9.2	5924852.8	9.9	3984432.8	8.8
2009	6801	3.2	15303310.6	9.3	4817293.2	8.0	3512610.5	7.7
2010	6302	3.0	17430494.7	10.6	5144560.8	8.5	3914440.6	8.6
2011	6377	3.0	10190486.1	6.2	4659785.0	7.8	3329432.4	7.3
2012	6385	3.0	12704688.6	7.7	3678762.1	6.1	2856416.6	6.3
2013	6624	3.1	10428974.1	6.3	3150281.2	5.2	2355803.8	5.2
2014	6219	2.9	17241875.9	10.5	5011953.9	8.4	3877239.8	8.5
2015	5831	2.7	5521459.6	3.4	1428513.1	2.4	1239305.8	2.7
2016	5348	2.5	9030282.9	5.5	2169253.4	3.6	1999866.9	4.4
1.I.-30.VI.2017	2938	1.4	3177374.4	1.9	756843.0	1.3	701798.0	1.5

Nota: Coloana 1 reprezintă numărul de înmatriculări din perioada respectivă. Datele privind capitalul social subscris cuprind subscrierile de capital la înmatricularea de societăți comerciale din perioada de referință la care s-au adăugat majorările de capital și s-a scăzut capitalul social subscris de societățile comerciale radiate din Oficiul Național al Registrului Comerțului, în perioada de referință.

Source: National Institute of Statistics and ONRC, Statistical Bulletin no. 6/2017.

The sphere of the countries invested in Romania has narrowed very much. It has been pointed out that foreign capital investments in the form of participation in the registration of new commercial companies have evolved slowly or are the „scale” of the droplet in an ocean.

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Thus, it is surprising to retain some traditional countries, such as the US, who have only invested little in Romanian companies.

From neighboring countries, outside of Hungary, Turkey and Moldova and those with fierce participation, the other countries are virtually absent.

If for the Eastern and Central European countries, confronted with their own problems of transition, they can find a logical explanation of the phenomenon for countries such as Greece where the fleet and the „Romanian communications, a reduced share in total foreign capital investments in all these years is likely to raise some questions.

Among these are the group of Arab countries which, although they hold a large share in terms of the number of registered companies in their own name, together amount to less than 3% of the total foreign capital invested. This also explains a number of negative phenomena (evasion, money fleeing abroad, carrying out non-essential and apparently unprofitable activities, etc.).

If we compare the trade deficit, namely the export surplus by imports, with the total capital investment in companies, it is easy to see that, through unreasonable, unbalanced activity, more than 90% of the total investments went the water of the sable, by practicing a totally unbalanced external trade. The situation is interesting also if we will discuss the way in which the newly established companies in 2010-2017, in territorial profile, were registered in Romania.

We will find that, in a number of counties, such as Tulcea, Vaslui, Bacau, Gorj, Buzau, Teleorman and others, these investments, in the form of subscribed capital in foreign currency, for the formation of a new company, are missing or are at a very low level of the total of such investments. There are also some exceptions, such as Bucharest, Ilfov, Prahova, Timis, Cluj, Brasov, Constanta, which have significant participations in the formation of capital by subscribing and paying shares or foreign currency in the currency, but the situation is totally inadequate in the general context presented. Nor is it to be neglected that the „big investors” coming from developed countries are often Romanian citizens settled in these countries. The proximity of their native country, regardless of their motivations, is in itself commendable and worthy of being encouraged, however, in relation to the content and objectives of foreign capital investments in Romania, the results are far from producing the hoped effects .

It is also worth mentioning that, through such investments, Romania has not been able to find a source that would at least ensure the maintenance, if not the revitalization of its industrial development.

If we compare the level of foreign capital investments by participating in the establishment of commercial companies in our country with the other

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Eastern or Central European countries, we will find that Romania is at the end of such a ranking.

This is a new proof that the issue of how this activity is rearranged and redirected must be rigorously put in place.

- **Domestic capital investment**

We have only analyzed how the foreign capital investments in our country have been made. This does not mean that local investment must be neglected. Although Romanian capital was to be given increased attention, in fact, the investment of domestic capital was stopped, due to the lack of financial means, by the impossibility of participation of Romanian individuals or legal entities in some projects, either independently or in collaboration with foreign trade companies. Unfortunately, either from populism or from incompetence, he has left his left in this field since 1990. Thus, for example, the so-called „social shares” (about \$ 38 billion in 1990, about five billion US dollars) automatically passed from the sphere of production (as a source of funding) to consumption. This passage was due to the lack of productive activities and stocks of products needed by the population, which had a double negative effect: firstly, the development funds were diminished, and secondly, a surplus of mass money, without coverage in products and services at 1990 prices.

Existing social parties in 1990 should have been transformed into shares, thus forming the embryo of privatization in Romania. At the same time, there was no sign of inflation in our country by unbalancing the ratio between the low volume of products and services, on the one hand, and the very large monetary mass of the short-term population at that time on the other hand.

Against the background of such a situation, the legislation on commercial companies, although positive in its essence, could only create the framework for asserting the free initiative and the mechanisms of the market economy, which, however, in the absence of real and consistent domestic capital, could not generate far-reaching developments.

Maintaining for a long time a mixed structure of the economy through the co-existence of the private training sector, represented almost exclusively by small and medium-sized enterprises, with a state or mixed sector at the level of the big economic units, successive and cumbersome formulas of privatization, was not such as to give the entire national economy the positive trend assumed by the reform process. On the contrary, with the passage of time and under the impact of economic and especially fiscal policy measures, the big economic units were decapitalized and devalued, so that

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their privatization became, irrespective of the method envisaged, difficult to achieve or, at best, achievable under derisory conditions.

At the same time, the private sector, represented by small and medium-sized enterprises, also faced the same measures, after the initial effervescence period, the same process of decapitalization and regress. Illustrative of this phenomenon is the contribution made by the private sector to the state budget and the state social insurance budget, which in 2014 was over 64.3%, 2015 by 63.9%, in 2016 by 64, 3% and 64.5% in the first half of 2017.

In the process of privatization, the problem of resorting to massive loans can not be raised, as long as the national currency is expensive, the real positive interest rates of commercial banks are very high, and investments can only bring incomes in a future period. It is understandable, therefore, why even those with great desire and understanding to participate in the privatization process fade their ambitions and thoughts, seeing the danger in such a perspective.

Therefore, it is of the utmost importance that, as in the last hour, the process of privatization, reform and economic restructuring should start from a real analysis of the situation on the capital market in our country, characterized by the lack of attractiveness for the foreign capital that is wanted to be invested in Romania, as well as the lack of financial means faced by the economic agents in our country. In the long run, it is inadequate for the proceeds of the privatization process to be used as revenues to the state budget rather than being concentrated in funds to ensure the reengineering and preparation of commercial companies and autonomous privatization offices.

Of course, it is much easier to do this, but there is a danger that our country will be cut off even more by financial resources that can be used in the privatization process. It should also be noted that virtually all large privatizations have large volumes in work, included or open, at the Prosecutor's Office. I am not talking about some of the cases that closed through the holy „prescribing” of the facts.

A number of significant aspects of foreign and domestic capital investment have been extensively addressed in chapter one, and it is superfluous to repeat here again.

#### • Investment perspective

We reserved ourselves to analyze what has been so far and less of what will be. We will pay special attention to the aspects that traditionally depend on us. So, in the context of the developments in the period 2000-2017, there is the fear that it will still be difficult to redress the „drifting ship”, called

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the national economy. In fact, foreign investment will depend on the prospect that the „new government” has an anti-crisis program, the recovery of the national economy, and the internal ones by the existing resources, the tax exemption of the reinvested profit, etc. In the immediate perspective, there is the danger of consuming the small financial reserves that still exist, increasing the public debt, reducing and degrading, in the long run, some components of national wealth, so that the further restructuring of the national economy becomes more difficult, if not impossible.

Therefore, in the current state of crisis, it is necessary to design and implement a system to support the private sector, in this case small and medium-sized enterprises.

In this respect, measures must be taken, such as:

- Improving the legislation in the field of attracting foreign capital investments, offering special facilities and government guarantees for those who come with major projects of interest to the national economy of Romania, and the amounts to be invested will be of the order of millions of euro;
- Secondly, it should be taken into account that the privatization of some infrastructure elements or even of companies that, even if they are in financial difficulty, represent, through funding sources, a production potential in the future, be prepared and to create the conditions for real competition in their privatization;
- For local capital, it is of utmost importance to create the conditions for attracting the profits obtained in major investments, by creating tax incentives;
- In order to stimulate investments in domestic capital, the possibility of financing, the granting of favorable loans and especially the access to European funds should be considered.

In fact, the realization of investments by Romanian entrepreneurs, materialized in objectives, is the creation of national wealth, so there is no danger if, under the judicious conditions, credits are granted. Even if these credits could not be repaid, if the projects were well thought out, they can be taken over and further developed.

Such measures must be categorically accompanied by a package of programs aimed at increasing labor productivity and effectively involving the population in useful, necessary and profitable activities for both individuals and society. It is difficult to quantify now how the sources of investment will be allocated or foreign ones will be attracted. It remains the area that needs to be given more attention to strengthen and protect the domestic capital, which can ensure a concrete evolution of the country's development..



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### Conclusion

The authors' study highlights the need to pay more attention to attracting foreign capital to Romania by increasing existing capital and creating new trading companies with foreign capital. The legislative framework needs to be revised to become stimulant and „friendly” to foreign investors. Foreign direct investment must be stimulated by facilities conditioned by increased foreign investment with high efficiency. we appreciate that the current Romanian banking policy, discouraging foreign investors, is a „positive” argument for attracting foreign investors (investment) that can access loans from the foreign financial-banking market under certain conditions and at a very low cost this is the conclusion from the simple buying of interest on loans practiced on the financial and banking market in Romania and other Community countries).

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