

---

## CAPITAL INVESTMENTS ARE ROMANIA'S NUMBER ONE PRIORITY

**Prof. Constantin ANGHELACHE PhD** ([actincon@yahoo.com](mailto:actincon@yahoo.com))

*Bucharest University of Economic Studies / Artifex University of Bucharest*

**Dana Luiza GRIGORESCU PhD Student** ([danaluiza2004@yahoo.com](mailto:danaluiza2004@yahoo.com))

*Bucharest University of Economic Studies*

**Cristian OLTEANU PhD Student** ([alexandra.olteanu.s1@anaf.ro](mailto:alexandra.olteanu.s1@anaf.ro))

*Bucharest University of Economic Studies*

**Daniel DUMITRU PhD Student** ([dumitru.teticdaniel@gmail.com](mailto:dumitru.teticdaniel@gmail.com))

*Bucharest University of Economic Studies*

### Abstract

*The economic and social results recorded by Romania from 2010 until now show an unprecedented fall. Of course, the pandemic crisis triggered in 2019 contributed to this fall, but also the economic and financial crises of 2008-2009 and the one after the pandemic.*

*The unit of basic indicators that can quantitatively and qualitatively evaluate the economic evolution marks an upward trend compared to previous periods, only that the volume available to the economy is sufficiently reduced.*

*Investments were only sporadic. That is why we believe that we must return to the fact that it is necessary to allocate funds superior to the investments attracted from abroad, as well as domestic ones in the achievement of profitable and far-reaching economic objectives.*

*In this article we aimed to present the situation in which Romania is, with an emphasis on the need to give capital investments the necessary priority. Research, production and investments must evolve in a correlated, structured way, so as to reach the economic objectives that our country has in mind.*

*We used a series of data that we had to emphasize to the crown that investments represent the progress factor of the entire national economy. The economy evolves, the economy needs new sources of financing, and that is why the way in which this can be achieved must be thought of.*

*We used a series of indicators that we obtained from the National Institute of Statistics or from the European Union. In all of these, the analysis found that only investments create new jobs, which create opportunities for economic growth.*

**Keywords:** investments, crises, indicators, developments, national economy.

**JEL classification:** C10, E30

---

### **Introduction**

After 1990, Romania recorded a contradictory evolution in the field of economy. On the one hand, a number of activities were abandoned, too few priorities were given to some branches of the national economy, which evolved less convincingly.

The unity of the indicators on the basis of which the evolution can be evaluated quantitatively and qualitatively marks an upward trend, but not in accordance with the requirements imposed by the membership of the European Union, which is open to the achievement of major objectives, but only in the conditions where there is quality to withstand the competition.

Foreign exchange reserves of the National Bank registered a slight increase, being satisfactory by attracting foreign currency from the population. A simple calculation leads us to the conclusion that the population currently has an amount of more than 10 billion euros / dollars not deposited in bank accounts.

Exports and imports must represent the lever through which the improvement of the structure of the Gross Domestic Product is achieved. Unfortunately, the Gross Domestic Product is achieved too little due to trade and if we consider the fact that the net export always presents a deficit, we realize that the situation is not exactly positive.

It is required and we have analyzed the need for increased investment. This is an objective necessity that we highlighted by considering a number of elements that have an impact on economic growth. In this context, we analyzed the factors with an effect on the increase in investments, revealing that more should be allocated, to take into account the need to increase the financing of the branches of the national economy.

Foreign capital investment is a first priority, but this can be achieved again only if a favorable legislative framework is ensured for those who invest in Romania. In this sense, the registrations of commercial companies with foreign participation of subscribed capital during the period 1991-2022 were analyzed. It follows that the peak period has subsided and in recent years we have reached fairly small amounts invested. Moreover, the pandemic crisis and the other crises that broke out negatively influenced the growth of foreign direct investments.

Further in the article we dealt with domestic capital investment, which is about to become invisible. If one invests in research, only 0.19% comes from the state's revenues, and we realize that the investment in the other fields is also quite timid. In this sense, those who invest massively should be stimulated by some reductions in the field of taxation, thus causing an increase in the amounts invested, which creates new jobs and ensures a lot of other financial advantages.

---

I closed the article with some considerations regarding the investment perspective, showing that the legislative framework must be improved, which will stimulate, attract, foreign capital investments. Secondly, they must bear in mind that the privatization of some infrastructure elements or even some commercial companies represents a potential source of obtaining additional revenues to be reinvested, but at the same time take care that these remaining privatizations it is done under advantageous conditions for the Romanian state.

For domestic capital, it is of the utmost importance to create the conditions for attracting the profit obtained in major investments by creating tax facilities, and at the same time, to stimulate domestic capital investments, the possibility of financing some granting of loans under advantageous conditions must be taken into account, and especially access to European funds.

We must specify that at the moment productive institutions cannot initiate projects based on studies that are based on projects financed by banks that practice hallucinatory interest.

Investments must remain the top priority of any government administration in Romania.

### **Literature review**

A significant number of researchers have considered the problem of capital investment. Thus, Anghelache C. (2019) analyzed the evolution of the industry in Romania, in an international context. Corti, F et al (2021) are concerned with comparing and evaluating recovery and resilience plans. D'Alfonso A. and Sapala M. (2015) are concerned with the payments made from the budgets adopted by the European Union. Darvas Z. (2020) is concerned with the ability of European Union member countries to absorb and spend well the financing for recovery and resilience. Erosa, A. and Cabrillians, A. (2008) carry out a study in which they treat the economic evolution against the background of the development of industrial branches in the context of the domestic and international market. Grand, D. and others dedicate their study to the analysis of industrial exchanges between the states of the European Union according to the individual capacity of each state and the structure of the national economies. Herrendorf and Akos (2012) tried to identify the sectors of activity with the weakest results in developing countries. Lee, D., Shin, H., Stulz, R. (2016) addressed in their study the condition that capital development in industry must be the main link of economic growth.

---

### **Data, Results and Discussion**

Investments from the public sector, whose main destination is infrastructure works, were oriented mainly towards the fields of national interest: electricity, the extractive industry, the processing industry, but also in the field of post and telecommunications.

The rate of growth in programs of European interest and the increased weight of investments for machinery are noteworthy. Investments from the private sector, also growing, were mainly oriented towards the purchase of transport equipment, especially from imports. In this sector, the investments were directed mainly in the tertiary sphere, especially in the field of trade.

Regarding the factors that have an effect on the increase of investments, we could exemplify through the programmatic objective, of great acuteness and topicality, to which efforts, approaches and sacrificial decisions were subsumed by the political class, namely the accession of Romania to the western economic and political structures - European, respectively to the European Union and NATO.

In the context of the new geopolitical and economic situation in Europe, joining these structures represented, even abstracting from the theme, however hyperbolized, of "Romania's reintegration into Europe", a desire with deep objective determinations, of an economic and political nature, as well as important and long desired by any Romanian.

However, the approach to the accession problem, 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, which has economic stability, has a well-developed infrastructure and also has an internal social and political tranquillity verified and guaranteed, these being clearly stated performance criteria, valid for all former candidate countries.

These criteria necessarily induce a causal relationship, in the sense that their fulfilment leads to accession, which, in turn, has become a premise for even better stability from an economic, political and social point of view, on the basis of which to be possible new developments of the country's structure, superstructure and infrastructure.

Let's summarize the situation created after 1990 until now in the following way: the process of economic restructuring could not fail to have, undoubtedly, as a first consequence, the appearance and increase of unemployment. Hence, new problems for Romania, which was not used to

---

officially using the word unemployment. In parallel, the embryo of inflation was created, of the fall of the national currency, of the pregnant highlighting of the poor quality of some Romanian products whose access to the European markets became increasingly difficult, and the general economic decline became inevitable.

In this context, the strategy of forcing, only by political means, the penetration into the European Union and NATO was the only option. Anyway, today Romania is in NATO and since January 1, 2007 also in the European Union. However, intuiting what will follow the “two accessions”, especially in the context of the policy promoted by the new president of Romania, a retrospective of the past twenty-three years makes sense, if only for the archive.

I think it would have been more fertile if it started from the fact that the laid-off workforce, meanwhile becoming a blanket for the unemployed, could be used with increased efficiency in achieving at least one of the accession criteria, namely the development of infrastructure in our country.

The state, as the owner of some industrial activities, such as: the production of cement, bitumen and other products necessary for the development of roads, roads, etc., including the necessary machinery, could have easily, immediately after 1990, switched to the use of the laid-off workforce and improve this element of the infrastructure.

First of all, a series of commercial companies or autonomous kings, which either privatized for questionable amounts, or ran into difficulties of production and financial resources, would have become very profitable by exploiting and capitalizing internally large quantities of products. Thus, at least the cement factories in Fieni, Hoghiz, Medgidia and others would have carried out activities with great profitability, which would have been likely to create, through the profits obtained, sources of income for the state budget.

On the other hand, the use of the laid-off workforce for the construction of these infrastructure elements would have relieved the state social insurance budget of the payment of important sums, in the form of unemployment benefits or allowances and other sums offered to the population removed from the labor field. Of course, in this way, the passage of a significant number of people from the sphere of productive activity, mining, etc., who, as time goes by, are no longer effective in the activity of infrastructure development, would have become easier to digest, through a useful and effective workforce conversion process. Under these conditions, it would have been simple for Romania to benefit from a special infrastructure, absorb most of the created unemployment and thus face fewer socioeconomic 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 an enviable infrastructure and would have thought very quickly that it was necessary to attract Romania in the constellation of EU and NATO member countries, so as to create the conditions of connection with the Republic of Moldova, Ukraine, Turkey and the Asian area.

The realization of domestic capital investments on account of bank loans cannot be taken into account, both due to the legal provisions in force, as well as due to the high level of interest charged and, why not, due to the crisis itself which is taking shape more and more clearly at the level of the banking system. In this context, attracting capital and foreign investments 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 achieved.

Domestic legislation and fiscal policy were the two biggest obstacles to foreign capital entering the Romanian market. After things settled somewhat and a number of foreign investors expressed their desire to invest in Romania, a new bomb exploded. In the desire to balance the budget, I'm not saying rectification, in order to bring in additional income, the simple way of arithmetic was resorted to.

That is, something was added to excise duties, VAT was introduced to some transactions, etc., without making a thorough analysis and trying a simulation, to see the effect of the measures taken. The bitter conclusion will be: investors take another extended moment of analysis and try to make predictions; the measures did not have the expected effect, on the contrary, consumption was reduced, as a result, exports decreased, and possible investors changed their minds; revenues to the state budget come from exaggerated taxation and not from concrete economic revenues; the external image is affected, and our expectations drift away; Romania's new status as a member of the European Union somewhat changes the data of the problem, but it remains our task to thoroughly prepare the projects based on which we can access the funds at our disposal.

It is clearer than ever that for Romania the need for capital is vital, in the context in which the foreign, for very varied reasons, but also because of a not quite adequate legislation, shows great reluctance to massively penetrate the Romanian market.

Foreign direct investments in 2009, due to the negative impact of the crisis, were only 3,512,610.5 thousand euros, being in 2010 3,914,440.6 thousand euros, 3,329,432.4 thousand euros in 2011, 2,856,416, 6 thousand

---

euros in 2012, 2,355,803.8 thousand euros in 2013, 3,877,239.8 thousand euros in 2014 and 1,239,305.8 thousand euros in 2015. The situation in 2016 shows the decrease of foreign capital, which increased, however, in 2017. It is hard to imagine why in 2009-2012 other measures were not undertaken to stimulate foreign investors, given that the social and political situation constituted an additional barrier to those who would have the courage to invest in our country.

There should be no reservations in terms of legislating incentives for attracting foreign capital and encouraging domestic capital, because everything that is invested in Romania through Romanian commercial companies, regardless of the origin of the subscribed capital, constitutes national wealth.

The range of countries from which investments have been made in Romania has been greatly reduced. It was highlighted that foreign capital investments in the form of participation in the registration of new commercial companies have evolved slowly or are of the “scale” of a drop in an ocean.

Thus, the retention of some traditional countries, such as the USA, which invested only a little in Romanian companies, is surprising.

From the area of neighbours, apart from Hungary, Turkey and Moldova and those with small participations, the other countries are practically absent.

If for the Eastern and Central European countries, faced with their own problems of the transition they themselves are going through, a logical explanation of the phenomenon can be found, for countries like Greece, where the fleet and the system of Romanian communications, a low share in the total of foreign capital investments in all these years is likely to raise some question marks.

Between them stands out the group of Arab countries, which, although they hold a large weight in terms of the number of registered commercial companies, especially in their own name, together total less than 3% of the total foreign capital invested. This fact also explains a series of negative phenomena (evasion, flight of money abroad, carrying out non-essential and apparently unprofitable activities, etc.).

If we compare the deficit of the trade balance, i.e. the overtaking of exports by imports, with the total investments in the form of capital in commercial companies, it is easy to see that, through a reckless, unbalanced activity, more than 90% of the total investments went to Saturday’s water, by practicing a totally unbalanced foreign trade. The situation is also interesting if we consider the way in which the newly established commercial companies were registered in 2010-2022, in terms of territory, in Romania.

If we were to compare the level of foreign capital investments through participation in the establishment of commercial companies in our



---

country with the other Eastern or Central European countries, we will find that Romania is at the bottom of such a ranking.

This is further evidence that the question of how this activity is rearranged and redirected needs to be rigorously addressed.

In the context of developments registered in the period 2000-2022, there is a fear that it will still be difficult to right the “adrift ship”, called the national economy. In fact, foreign investments will depend on the prospect that the “new government” will have an anti-crisis program, for the recovery of the national economy, and domestic ones on existing resources, tax exemption of reinvested profits, etc. In the immediate perspective, there is a danger that the small financial reserves that still exist will be consumed, the public debt will increase, the reduction and degradation, in the long term, of some components of the national wealth, so that the further restructuring of the national economy will become even more difficult, if not impossible.

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

In this direction, it is necessary to take some measures, such as: improving the legislation in the field of attracting foreign capital investments, which will offer special facilities and government guarantees for those who come with major projects, of interest to the national economy of Romania, and the amounts intended to be invested should be of the order of millions of euros; secondly, it must be taken into account that the privatization of some infrastructure elements or even some commercial companies which, even if they are in financial difficulty, represent, by securing sources of financing, a production potential in the future, to be prepared and to the conditions for a real competition in their privatization are created; for domestic capital, it is of utmost importance to create the conditions to attract the profit obtained in major investments, by creating fiscal facilities; also for the stimulation of domestic capital investments, the possibility of financing, of granting loans under favorable conditions and above all access to European funds must be taken into account.

Basically, making investments by Romanian entrepreneurs, embodied in objectives, represents the creation of national wealth, so there is no danger if, under judicious conditions, loans are granted. Even if these credits could no longer be returned, if the projects were well thought out, they can be taken over and further developed.

Such measures must definitely be accompanied by a package of programs aimed at increasing labor productivity and the effective involvement of the population in useful, necessary and profitable activities for both individuals and society. It is difficult to quantify now, how the sources for



---

investment will be allocated or foreign ones will be attracted. It remains the area that needs to be given more attention in order to strengthen and protect domestic capital, which can ensure a concrete evolution of the country's development.

### **Conclusions**

The article published based on the conducted study highlights some concrete conclusions. First of all, domestic investments and especially foreign direct investments have not evolved at the pace that Romania's economic potential implies. Year after year, investments were modest, both from local sources and from direct foreign sources. This leads to the conclusion that the legislative and economic-financial framework for attracting investments and additional investment sources must be improved. Without investments, the economy will evolve at a slow level, without special growth and without prospects of providing additional income (salary fund and pension fund) to Romanian citizens.

The study reveals that investments must represent the number one priority of the national economy in order to ensure the improvement of production quality, which must become competitive at the level of the European Union and on this basis to increase exposures.

The interest rate system practiced by the banks operating in Romania (we cannot call it the Romanian banking system as long as only two banks are still with full Romanian capital, the rest being branches of foreign banks) to resize the level of interest rates to be able to enter into correlation in preparing projects with national or multinational commercial companies. The study shows that most multinational commercial companies solve their financing problems through loans taken from abroad, through the branches of banks that exist in Romania. Thus, they benefit from better conditions for the repayment of committed loans.

### **References**

1. Anghelache, C. (2019). The evolution of the industrial activity in Romania in 2019 in the internal and international context. *Romanian Statistical Review, Supplement*, 8, 49-60
2. Corti F. et al., The Recovery and Resilience Facility: A springboard for a renaissance of public investments in Europe?, CEPS, January 2022
3. D'Alfonso A. and Sapala M., Payments backlog in recent EU budgets. Lessons learnt and outlook, EPRS, European Parliament, November 2015.
4. Darvas Z., Will European Union countries be able to absorb and spend well the bloc's recovery funding?, Bruegel Blog, 24 September 2020.
5. Erosa, A., Cabrillana, A. (2008). On finance as a theory of tfp, cross-industry productivity differences, and economic rents. *International Economic Review*, 49 (2), 437-473

- 
6. Grand, D., Le Brun, Ch., Vidil, R., Wagner, F. (2016). Electricity Production by Intermittent Renewable Sources: A Synthesis of French and German Studies. *The European Physical Journal Plus*, 131, 329–340
  7. Herrendorf, B. and Akos, V. (2012). Which Sectors Make Poor Countries so Unproductive?, *Journal of the European Economic Association*, 10 (2), 323–341
  8. Lee, D, Shin, H., Stulz, R. (2016). Why does capital no longer fl ow more to the industries with the best growth opportunities?. *NBER Working Paper Series*, no 22924