

THE ROLE OF INVESTMENTS IN THE DEVELOPMENT OF THE DIGITAL ECONOMY OF THE REPUBLIC OF MOLDOVA

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Recent convention in Davos in January 2016 marked the birth of the so-called Fourth Industrial Revolution, which would last from five to ten years and will inevitably and radically change all the economic, social and other structures. Akin the Revolution ignited by Microelectronics, this revolution will end up into goods and services previously unimagined, in the sphere of connected world and connected devices, from robotics to home appliances.

This revolution, in its turn, will open up new opportunities for smaller developing economies, such as Moldova, from being the testing ground to the economy for outsourcing the production of new technologies. Thus, Moldova could, in conditions of globalization, become a centre for outsourcing of the new products and therefore one of the economies that would be first to implement those innovations.

Global economy becomes less and less resource-intensive in the traditional sense of the term, shifting from production to the intangible resources represented by the people, as well as to the more capital-intensive and less dependent on raw materials. In this context, reorientation towards qualitative services in the sphere of high technologies is absolutely crucial. Moldova's IT specialists are considered to be among the better once in Eastern Europe, meaning that the country has the potential and the prerequisites for the creation of knowledge-based, innovation-driven economy based on the adoption and integration of innovations into its core structures. This is certainly a niche worth investing into.

So far, Moldova managed to attract \$3,5 billion in investments. That is a relatively large amount – more than half of the GDP (with capital rate at 15-16%). Building on its potential, in the next five years, the country must be able to accumulate about 1,5 to twice as much capital in foreign investments. Thus, it is important to create necessary conditions to attract direct foreign investments.

Moldova's economy could act as an economy for outsourcing of production of high-technologies and high-tech products. Why is this possible? Moldova's sector of information technologies in an

export sector with truly high potential. The products of the IT companies operating in Moldova are highly competitive not only due to lower costs of the labour force, but also due to the fact that the quality of the end product is competitive with the global standards suggesting that there is a large amount of highly qualified labour force in this area.

It is important to increase the interplay between businesses and the government based on shared understanding of common needs. The biggest effect could be reached if that crucial partnership is in place and if large and smaller businesses, individual investors, investment funds, venture capitalists, as well as the government and other educational and research institutions work in interplay, through the direct support by the government from the first stages through the commercialization phase of investments and innovations.

As shown in practice, the more globalization and the more stakeholders, the bigger the need for a clear strategy for the development of the country, including challenges of import substitution regarding goods and services, which would increase the added value and would provide an opportunity to increase the budget and to provide new work places for Moldova's population. It is, of course necessary to create adequate fiscal, administrative and regulatory conditions for businesses to solve the problems related by consolidation and modernization of Moldova's business, as well as to increase competitiveness and capital intensity in its economy.

This, in essence, should allow Moldova to break through the vicious circle of poverty into the virtuous circle of prosperity, which would help to secure stable and profitable levels of economic development in the long term.