Balkan governments introduce harsh austerity measures

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In Europe, the economic crisis has plunged a number of states into crisis. Without assistance from the International Monetary Fund, Iceland, the Baltic states and Hungary would already be bankrupt. The Balkan states have also been hit especially hard.

The already weak economies of these countries in the southeast of Europe have collapsed dramatically in recent months. The flood of foreign capital out of these countries has intensified the social crisis and led to a rapid increase in unemployment. Irrespective of the political composition of the governments of these states they are uniformly reacting to the crisis by shifting the entire burden onto the backs of the broad masses of the population.

In so doing these governments are relying on ever-closer cooperation with the European Union, which links any financial assistance to increasingly harsh austerity measures and savings programs.

The situation is further exacerbated by the precarious conditions that prevail. Wages have remained low in these countries for years and they lack any sort of adequate social welfare protection. Corruption is pervasive and extends to the highest levels of government. In addition, there is no political force that represents the interests of the population and is seriously intent on challenging the ruling elites.

Croatia

The first official act of the new center-right government headed by the Croatian Democratic Union (HDZ), which took power in July, was to announce huge tax increases. Head of government Jadranka Kosor (HDZ) declared she had prepared the introduction of this “crisis tax” in collaboration with EU Commission President José Manuel Barroso.

In the coming months the already meager wages of all public service workers will be cut. According to Vladimir Gligorov from the Viennese Institute for International Economic Comparisons (WIIW), “Kosor wants to probably use the 10 percent rule,” i.e., salaries and other public expenditures will be cut by 10 percent.

An additional tax of 3 percent will be levied in future on salaries, pensions and other incomes. These measures will especially affect pensioners and those dependent on low incomes. Only incomes under €400 per month will not be subject to the new tax. The average pension in Croatia is around €450, and the average monthly wage approximately €700. Expenditure cuts also mean that the country’s most recent social programs will be radically trimmed.

The indebtedness of this small state, with 4.5 million inhabitants, has risen rapidly in the past few years. The gross domestic product in Croatia is expected to shrink this year by around 4 percent, although the government in Zagreb had predicted a drop of just 2 percent.

The government is planning to raise a sum of €270 million through its additional tax revenues. But it is impossible for the government to overcome its €2 billion deficit with such cuts to salaries and public expenditure. This means that drastic new austerity programs are inevitable.

In implementing the cuts the Kosor government does not have to reckon with any serious opposition from the country’s trade unions or opposition parties. The head of government had no problem reaching an agreement over its proposed tax increases with social federations, according to media reports. The country’s trade unions have neither participated in these negotiations, nor conducted any sort of protest against them. They are also unlikely to oppose the imminent salary reductions.

The trade unions of Croatia played a key role in the privatization of the economy following the country’s independence. At the time of the separation of Croatia from Yugoslavia they worked to nip any sort of resistance in the bud.

The federation of autonomous trade unions (SSSH), which emerged in 1990 from the Socialist Trade Union Federation and has the largest number of members, was responsible for backing the government’s privatization of the economy and new orientation towards Western markets. During the period in which war reigned in Croatia the federation stirred up Croatian nationalism.

The only other significant trade union body in the country is the HUS, which was created in 1991 by the right-wing conservative HDZ, with the aim of replacing the SSSH. The HUS is even more right-wing than the SSSH. The leadership of the federation is dominated by fervent nationalists and supporters of the free market.

It was the free-market policies introduced in the 1990s, together with huge economic destruction arising from the war, which contributed to the current precarious situation of the Croatian economy where a number of sources of tax revenues have dried up. Numerous formerly flourishing industries have been shut down in the meantime. In their place a number of free trade zones were set up that are subsidized by the government and offer tax exemptions and special location advantages (i.e., low wages) to foreign enterprises and investors.

Serbia

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In the former Yugoslav republic of Serbia, the government is also feverishly working on an additional savings package. Serbia must impose policies favored by the IMF in order to receive further debt relief. The Central Bank President Radovan Jelasic has just announced a series of further cuts to public expenditure while the Serbian Finance Minister Diana Dragutinovic has declared that the government soon intends to introduce a 20 percent tax increase for all incomes over €400.

Cuts to the state's social safety net and education had already been agreed at the start of the year, combined with increases in taxes and public user fees. At the same time wages have continued to sink in value.

As in Croatia, the economic crisis has revealed the truly catastrophic social situation prevailing in Serbia. In 2008 gross domestic product was around 20 percent less than the total of 20 years earlier. Prices for basic foodstuffs have risen on average by 80 percent during the past five years while wages have generally stagnated. Some 500,000 Serbs already live below the poverty line.

The population confronts an alliance consisting of the country's entire political and business elite. The conservative party of President Boris Tadic formed a coalition last year with the Socialist Party of Serbia (SBS) of former Yugoslav president Slobodan Milosevic. This means that together the pro-European conservatives and the socialists have a majority in parliament.

Representatives from the banks, business circles and the trade unions were present at the presentation of the government's new "economic measures" by Prime Minister Mirko Cvetkovic. All those in attendance welcomed his proposals.

Romania

Following a meeting with IMF representatives, Romanian Prime Minister Emil Boc announced on August 5 that his cabinet intended to introduce further radical budget cuts. At the center of the cuts is the axing of least 9,200 jobs in public service.

The government had already agreed a package of cuts and savings at the start of the year that included a 20 percent reduction in the budget for public servants. Pensioners, who because of their low pensions are forced to work in public service, have to decide between their job or a pension. For thousands of pensioners the combination of pension and earned income was the only way to make ends meet.

Wage increases promised last year have been cancelled by the government. Following significant protests and strikes last year, the preceding government was forced to concede salary increases, including a 50 percent wage rise for teachers. Now Boc has swept aside such pledges with the remark, "Wages are out of control."

Indirect taxes, such as those levied on tobacco and alcohol, are also to be increased in order to fill the country's empty coffers. Such measures will affect both low-income and middle-income earners.

The planned dismissals in public service are so devastating because they coincide with mass redundancies in Romanian industry. Automakers are particularly hit, e.g., the Renault subsidiary Dacia and its suppliers. But there have also been job cuts in other sectors.

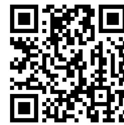
Bulgaria

In Bulgaria the newly elected conservative government led by Bojko Borissov (Citizens for a European Development of Bulgaria—GERB) has decided in light of the economic crisis to cut its expenditures by no less than 46 percent. This means cuts amounting to approximately €600 million in the second half of the year. Excluded from the cuts is the country's Interior Ministry, which has in fact a larger budget for the provision of equipment for police and security forces. The Justice Department is also exempted from the cuts program.

The government also plans tax increases. Finance Minister Simeon Djankov is seeking to rake in €600 million. In order not to endanger future investment, Djankov, who comes from business circles, has announced that domestic and foreign enterprises will be exempt from tax increases.

Borissov's victory in the parliamentary elections resulted purely from the weakness of his political opponents. In the election campaign the GERB had promised to break with the neo-liberal policy of the socialists (BSP). Borissov posed as an honest, energetic politician and was able, in the eyes many Bulgarians, to elevate himself to a certain extent above the corrupt circles dominating official politics. In the course of the election campaign he promised to prosecute corrupt officials and bring leading underworld figures behind bars.

The speed and ruthlessness with which Borissow now implements his attacks on the population reveals the basic problem prevailing in eastern and southeast European states. All of the political camps, including the so-called socialists and trade unions, are on the side of the economic elite and represent their interests.



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