IMF head dictates terms to Romania

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On March 30, International Monetary Fund Managing Director Dominique Strauss-Kahn ended a two-day tour of Romania and Poland with an address to the Romanian parliament.

Romania, one of the poorest countries in the European Union, has been badly hit by the current economic crisis and has contracted a loan of over €12 billion from the IMF in order to continue paying salaries and pensions. Strauss-Kahn, who also met the country's president and prime minister and held a meeting with economy students during his six-hour visit to Romania, stressed the importance of austerity programs and urged the political establishment to take responsibility for such programs—despite public opposition.

He sharply criticized politicians for trying to evade responsibility: "You are now leading this country, you will go on television and say, 'We will have to do this thing and that thing, which is painful, but it's not my fault, the IMF told us to.' Measures like cutting salaries in the public sector, the decision to build [fewer] roads and bridges or to raise income tax, all these are decisions taken by the government."

Strauss-Kahn warned that unemployment will rise in 2010, as a result of state layoffs and other factors, but that it's the government job to "deal with it." Strauss-Kahn's own political record does indeed make him an expert when it comes to imposing unpopular political measures.

A member of the French Socialist Party, he served as finance and economy minister in Lionel Jospin's "Plural Left" government, where he implemented a program of privatisations and deregulations. Romania's politicians seemed more than eager to please the IMF director, with the country's deputies enforcing the Fiscal Responsibility Law on the day of his visit. The law reduces the number of budget adjustments to two in a given year, and makes it impossible to increase total personnel expenditures using budgetary adjustments.

Romania's President Traian Basescu hurried to announce his commitment to "long-term cooperation with the IMF," saying, "We will ask you for a standby accord or a flexible credit line." Economic analysts believe that a second loan from the IMF would be used to pay for the first one. Strauss-Kahn seemed overjoyed with the president's "very wise" proposal and responded metaphorically, "The fund can be seen as a doctor. In the case of a sick country, the doctor can come with good medicines, but if the patient doesn't also follow the doctor's advice, the sickness can return after the doctor has left." In fact, the IMF "medicine" will take a heavy toll on the country's already impoverished population.

Prime Minister Emil Boc's salary and pensions laws are part of the agreement with the IMF. The salary law involves reducing the proportion of salaries in the budget through laying off more than 100,000 public sector employees and the elimination of bonuses in the public sector. One of the options considered by the government is freezing all public salaries by the end of the year. The pension law involves raising the pension age to 60 for women and 65 for men by 2014 and to 65 for both by 2030, plus a tightening of the rules for early retirement.

In order to cut spending, the government plans to cut 15,000 posts from an already crumbling education system and over 10,000 jobs from the National Railway Company. There are also plans to increase taxes and introduce fees in the public health care system, which stands on the verge of collapse. Hospitals are running out of materials and medication, and healthcare's 3.6 percent share of the GDP, which includes last year's deficits, is set to last until June.

The country has a 72-year life expectancy and, according to the World Health Organisation, had the highest infant mortality in Europe in 2005. The country also faces high levels of obesity and cardiac problems. The government is responsible for the thousands infected with HIV in the country's hospitals in the early 1990s, who face an endemic outbreak of tuberculosis. The Romanian government plans to hand over the hospitals to the local administrations, which in many cases already confront outright bankruptcy.

The government's austerity policies will have devastating effects on a population already suffering the worst of the economic crisis. The official unemployment rate was 8.3 percent in February of this year, rising from 8.1 percent in January and 4.9 percent in February 2009. The National Agency for Workforce Occupation has announced that 25.5 percent of those currently unemployed are under 29 years old. The minimum monthly salary stands at €253 and is, according to Eurostat, the second lowest in the European Union, with an average salary of €448.

Workers continue to face declining production rates in the major industries. Constantin Stroe, vice-president of the Romanian car manufacturer Dacia, part of the Renault group, declared that a “dramatic” production decline is reckoned for mid-2010, and estimates that the production levels of 2007 will only be reached by 2014. Renault stopped production at Dacia in late 2008 due to failing orders and is now expecting an 11 percent drop, following the winding down of the German government’s support program for the auto industry, and the French government’s reduction of auto subsidy from €1,000 to €500.

The steel industry has also been devastated by the economic crisis, with the salaries of ArcelorMittal workers frozen since 2008 and now facing another 1,500 layoffs. The ArcelorMittal Gala?i steelworks, the largest in the country, has seen orders fall dramatically since the beginning of the financial crisis in late 2008, stopping production in the second trimester of 2009, closing the coke plant and laying off more than 4,500 of its 12,000 workforce.

Layoffs are also expected in other sectors of the economy, including the textile industry, which was responsible for 10 percent of the nation’s job losses in 2009. Romania, like many countries in Eastern Europe, has a powerful and militant working class. The nationalised property relations established after the Second World War led to the construction of major industrial platforms employing millions of well-educated workers. Entire cities were built around the large factories, and it was these workers who kept the economy functional, despite the autarkic and obtuse policies of the ruling Stalinist bureaucratic clique. In the 1980s—when the Communist Party stranglehold on every aspect of life tightened and the economic conditions worsened—workers suffered most, their livelihood destroyed and suffocated by the dictatorship.

The miners’ strike of 1977 and the workers’ revolt in Bra?ov in 1987 showed that it was workers and their sons and daughters in the universities who posed a mortal danger to the Stalinist regime, and not the liberal dissidents of Radio Free Europe. And it was the workers that gave their lives in 1989, both in the streets of the working class neighbourhoods in Timi?oara and in the centre of Bucharest. The fact that the former bureaucrats and right-wing elements were able to seize power was due to the lack of a political perspective and leadership of the working class, a result of decades of Stalinist repression and isolation.

Successive Social Democratic and right-wing governments have dismantled and devalued the country’s industrial base, and most large factories were either turned into scrap metal or, as with the industrial platforms of Bucharest, offered to real estate gangsters. The international companies that took over production units immediately started restructuring the factories and reducing the workforce. Workers have been involved in countless struggles with management over low wages, the closing of facilities and job losses, but at the same time they have also been fully integrated into the world market.

The current economic crisis and the government austerity policies will inevitably sharpen class antagonisms. The government has so far been able to maintain a defiant posture, thanks primarily to the support of the trade unions. But confidence in these organisations is declining rapidly. At the ArcelorMittal steelworks, 10 of the 11 unions immediately accepted, without any objections, the contract proposed by the management for 2010. In the railway sector, where over 10,000 are being laid off, often without compensation, and unpaid workers are threatening to sue the government, the trade unions have mounted virtually no form of resistance.

A one-day protest was held on April 29, 2009, only after workers from all over the country stormed a union meeting on March 26. Spontaneous struggles were held at Constan?a, Ia?i and Timi?oara in September and March and received no support from the unions, despite workers being threatened and harassed by the government. Teachers’ union leaders left unpaid teachers in Buzau to fend for themselves. For nine months in 2009 the political party favoured by the trade union leaders, the Social Democratic Party, participated in a government headed by the current prime minister, Emil Boc, and took part in drafting many of the laws now implemented by the government—thereby demonstrating the cross-party political consensus for austerity measures.

The Romanian media is continually seeking to provide the political establishment with cover. It publishes calls for spending cuts on a daily basis, or conducts racist campaigns against Roma who allegedly are spoiling Romania’s image abroad. One event that received favourable coverage from the media was a gathering on March 10 in Topli?a, where Social Democratic leader Victor Ponta sought to compete in chauvinist rhetoric with Corneliu Vadim Tudor from the Greater Romania Party, amongst a chanting and flag waving crowd. Workers must surely break with the noxious nationalist outlook of such politicians and their trade union proxies. Romanian workers must look to their international class brothers for support and seek a socialist and internationalist solution to the economic crisis.