IMF dictates shock program to Romania

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Coming out of talks with an International Monetary Front delegation last week, Romanian Prime Minister Emil Boc unveiled an austerity package that is the precondition for the country receiving the next outlay of a 20 billion euro loan package. Even though cuts were expected, the ferocity of the planned attack sent ripples of shock and anger through the population.

The main points of the austerity package include a 25 percent cut in public salaries, a 15 percent cut in pensions and a 15 percent cut in unemployment benefits. These measures, taken to offload the debt the government owes to the international bankers onto the backs of the working class, would have been enough to condemn a large portion of the population to misery. But the plan continues with provisions to dismantle virtually everything that was left of the welfare state.

During the past 20 years, Romania, one of the former Eastern European buffer states, has been subjected to a continuous barrage of free-market “reforms”, involving deregulations, privatizations of state assets and factory closures. Successive social democratic and right-wing administrations have presided over the impoverishment of the population, all the while providing international companies with a cheap, well-qualified workforce as well as state subsidies and tax exemptions.

Romania has been a target of the IMF. Previous IMF dictates were observed by the notorious “anti-communist” CDR coalition government of 1998-2000, a government that is best remembered for the shameful role it played in the attack on Serbia by NATO forces in 1999, its destruction of the mining sector and huge privatization programs. But the scale of the new attacks is unprecedented even by these infamous standards. Among the population there is increasingly the feeling that the political establishment has this time bitten off more than it can chew.

The new austerity package include a 25 percent cut to child benefits, a 15 percent cut to benefits for caring for a disabled person, the elimination of benefits for young families, the elimination of compensatory payments for sacked public employees, a freezing of benefits for single parents, the abolition of transport subsidies for students and the elderly, and the removal of energy subsidies for households.

A brief look at the numbers shows the extent to which the new measures affect working people. An average monthly public sector paycheck in Romania is about 400 euros and would drop to about 300 with the new cuts. And while an average rent is around 300 euros, the maintenance cost of a household will increase, due to the withdrawal of energy subventions, from between 133 to 268 percent, depending on the city, i.e. an average of 250 euros.

The government also seems oblivious to the fact that pensioners, who were already struggling to make ends meet with an average pension of 160 euros, will find it literally impossible to make a living with the 15 percent cut.

The dramatic drop in living standards is accompanied by the decay of the public healthcare system. The 25 percent cut to child benefits will certainly affect the infant mortality rate, which is already the highest in Europe. Many of these infant mortalities happen in the first year of life and are caused by treatable infections and malnutrition.

The immunization program has also been disrupted and the Cantacuzino National Institute, which produced vaccines, recently closed down production, with parents desperately scouring pharmacies to buy anti tuberculosis BCG vaccines. On April 22, health workers from the institute held a spontaneous strike to protest the situation, but were given no answers and remain uncertain as to whether the Institute will be shut down completely.

The government has also decided, in compliance with the IMF deal, to finalize the process of decentralizing healthcare. This implies the closing of 150 out of Romania's roughly 400 hospitals and passing the rest over to local administrations. Since the advent of the financial crisis, many of the local authorities have been unable to pay even the salaries of city hall employees and have announced plans to privatize the hospitals. The government has also declared that the surviving hospitals will have their debt to the state budget erased before being handed to local authorities, a move aimed at eventual privatization.

Hospitals have been left in a state of decomposition for years, with patients and health workers buying medication and medical materials themselves due to the almost total lack of funding. The situation reached a critical point in April and May of this year, when more and more managers, including in the capital Bucharest, reported that their hospitals can no longer perform surgeries or receive emergency cases.

Another government proposal is the introduction of co-payments in the healthcare system, without, as originally planned, exempting pensioners or social benefits recipients. These measures, however, are tailor-made for the dwindling private healthcare sector. The private clinics, many of which are already occupying buildings formally belonging to state hospitals and have been able to recruit a low wage workforce from the public system, are set to take over "decentralized" hospitals, or parts of them. These privatizations would then drag the private insurers behind them.

Millionaire businessman Adrian Dumbrava, owner of a medical center chain, has said that he has "already received offers from local authorities to take over hospital units after decentralization as a concession or on a public-private partnership". The Health Minister's spokesperson, Oana Grigore, lauded the developments, impersonating a private insurer: "The insurer can come to the person and say: you give me 2 lei a month, I will pay the equivalent of the co-payment in case you need medical services."

The government spokesperson seems to have grasped the issue quite well. In November 2009, Theodor Alexandrescu, the general director of American Life Insurance Company (ALICO), a subsidiary of AIG Life, was talking about the steps needed to reform the state healthcare system: "The first and most important is the introduction of co-payment." The emerging picture is a familiar one, only this time applied to an entire national health system: devaluation followed by private takeover, in a process in which business interests become indistinguishable from government authority.

The murderous implications were amply revealed in March and April, when thousands of HIV patients were left for weeks without medication. Many of them, infected in Romania's hospitals in the early 1990s, had already undergone multiple schemes of treatment, and this delay means that for many of the affected the virus could prove fatal.

The government's economic plan has already provoked an angry response from the population. Scenes of desperate pensioners breaking through police enclosures and daily street protests by public employees sent a shock wave through the government. President Traian Basescu accused the pensioners of being "infiltrated by violent elements" and threatened that he would not allow "Greek relations" to predominate in the country.

Trade union leaders are increasingly fearful that this time they will not succeed in containing the workers and are pleading with the government to negotiate. One union leader was uncharacteristically candid in front of TV cameras, pleading with the prime minister to talk to them, because "we are the only way that these feelings [of the population] can be democratically expressed. God forbid that they should take other forms."

Workers have vowed to take to the streets every day, until May 19, when 40,000 are expected to participate in the largest rally since 1989.