Romanian Government Shaken By Economic Crisis

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Romanian cities have recently been the stage for mass demonstrations to protest against the measures the government has taken to safeguard the economy. Romanians' support for the Emil Bok government is steadily waning because of the political measures which made an unfavorable impact on the country's prosperity level. The opposition parties trying to capitalize on this have somewhat been conducting an early election campaign. The opposition is charging the government with undermining both the Romanian economy and the institutions of the state of law.

Having entered the EU on January 1st, 2007 following a long and painstaking process, Romania believed that EU membership would guarantee its social, economic and national security. However, what has recently been observed in Romania is a social crisis engendered by the government's obligation to bring the country in line with the macro-economic criteria laid down by Brussels. In fact, it is the global economic downturn which has tipped the macro-economic indicators out of balance. Although the fallout from the global economic crisis was felt in Romania later than in the other EU countries, it is evident that Romania cannot be free very soon of the troubles the crisis triggered.

As is known, according to Maastricht criteria the rate of an EU member's budget deficit to its GDP should not exceed 3 percent. But budget deficit in Romania was 7.4 percent in 2009. The same year saw Romania's gross national product contract by 7.1 percent. In order not to fall in to difficult position same as Greece has, the Romanian government signed in March 2009 a two-year 19,5 billion euro stand-by agreement with the IMF, which was also supported by the World Bank, the European Construction and Development Bank. In line with this agreement, Romania's budget deficit needs to be progressive phased down to 2,5 percent by 2013. That is why the Emil Bok government has been obliged to take some tough political measures. It reduced civil servant salaries by 25 percent in July 2010 and raised the added value tax from 19 to 24 percent. Public employment will also be cut by 25 percent, retirement age will be raised and the other tax rates will be upped, all in a bid to save the country's economy from a flat-out collapse. The government's decision to reduce pensions by 15 percent was repealed by the Romanian Constitutional Court.

As 50 percent of employment in Romania, including the self-employment in the agriculture sector, is unregistered, the government's efforts to increase budget revenues fall short of bringing about the desired result. Another reason forcing the Romanian government to resort to tough economic measures is the flood disaster of June 2010. Floods swamped huge areas of cultivated land, inundating thousands of homes, tearing down bridges, harming roads and rail tracks in Romania. Despite these external and somewhat uncontrollable factors, the government's measures were not legitimized by the people, as a result of which the government's ranking dropped by the day, with his deeds causing deep disappointment among the public. In a bid to win over public support, Prime Minister Bok made a cabinet reshuffle, replacing six ministers, but to no avail. The ranking of the government continued to sag.

These developments served the most the interests of the opposition. The latest public opinion polls showed the opposition Social Democrat Party as the party with the highest approval rankings. This led the Social Democrat Party to use, along with the National Liberal Party, early elections as a trump card. These two opposition parties have recently started boycotting parliamentary sessions too. The Social Democrat Party is trying to entice Romanians back to its side by populist promises, such as bringing salaries to their previous levels and pledging to get the national economy back from the brink of collapse. The pledges of opposition is being welcomed by the Romanians, though they go against the grain of the essence of the IMF stand-by agreement. That is to say that whether it be through snap elections or otherwise, the possibility of the Social Democrat Party spearheading a coalition government in Romania seems to be pretty high.