
Crisis in the East Bloc

Soviet and IMF looting plunges Romania's economy into breakdown

by Luba George

The economies of the captive nations of Eastern Europe are experiencing the deepest economic and social crisis in their postwar history. The Polish economy is at the verge of physically breaking down. Romania's has already crossed that line. A brewing mass rebellion in Romania against the government's draconian austerity program is like a time-bomb just waiting to explode. Promises of relaxation of the sharp austerity measures in food and electricity supplies to the population, particularly after the mass demonstrations of workers in Brasov last November and publicly expressed dissatisfaction in the population at large, did not materialize.

The price for rebellion can be high—thousands of people have disappeared in the past after challenging the Ceausescu regime. But life is worse. Romanians are freezing and starving. The ailing old and young, exacerbated by malnutrition, are dying because they cannot be treated for lack of antibiotics. Although Romania has flourishing agricultural and energy resources, Ceausescu has ruled that food and energy products must be exported in order to pay off Romania's \$5-6 billion in debts to Western creditors.

Soviets praise Romania for cutting trade ties to West

Foretelling a policy shift, the Soviets have reacted to the Romanian economic crisis by blaming Western usury for the economic catastrophe in Eastern Europe, and telling their satellites to reduce credit and trade ties to the West. The April 23-29 edition of the Soviet party cadres' weekly, *Argumenti i Fikti*, which reprinted a KGB bulletin blaming the intelligence agencies of the U.S.A., France, and West Germany for the unrest in Eastern Europe and the U.S.S.R., also contained an article lauding Romania for having slashed its economic ties to the West.

The article noted, "Romania began to enter into economic difficulties in the early 1980s," after trade with the West reached 60% of all Romanian foreign trade, and then catalogued the losses suffered by Romania from high interest rates on Western loans, and the collapse of agriculture and raw material prices engineered by Western financiers. "From 1981 to 1985," Romania suffered "\$5-6 billion" in "losses due to the lowering of world prices on export commodities," plus "another \$2 billion through the raising of interest rates on Western credits," with the result that "capital investment and production fell." This forced Romania to "institute a strong austerity," cut its foreign debt by half, and increase the Comecon share of its trade to 60%.

The IMF-Soviet 1981-85 austerity plan

Romania's austerity program started in 1981, when it adopted a policy arranged by the International Monetary Fund and Moscow, whereby it would forcibly pay off its entire foreign debt. Under this program, Romania slashed its imports from the West, while exports were heavily increased, and if measured not in dollars, but in actual flow of goods, at depressed commodity prices, the increase was immense.

The "gap" caused by cutting imports from the West was filled by the Soviet Union. Starting in 1983, Moscow began a program of exporting industrial plants, especially in the chemical sectors. These were delivered to Romania to manufacture, for example, primary chemical bases such as sodium and potassium hydroxide, and chlorine products, strictly for export back to the U.S.S.R. From 1983 on, almost all of the net additions to Romania's industrial sector have been such plants, which function as part of the Moscow-dictated "Comecon Integration Program," e.g., industrial milk cows for sustaining the Soviet economy. The heavy increase in

such disguised-looting "trade" with Russia has forced Romania to export additional large quantities of food and energy products to the Soviet Union, on top of the stream of goods flowing West to pay off the debt. It is this incredible rate of twin looting, rampant throughout the 1980s, from the West and from Russia, which has bled Romania white, and created a physical breakdown of its economy. The level of misery in the population is appalling. The austerity, which began in 1981, has by now reduced living standards and consumption levels to rates normally associated with poor Third World countries.

In 1981, for the first time since 1954, Ceaucescu introduced food rationing; prison terms for speculating "parasites" of up to five years were introduced for hoarding food. Evoking memories of postwar food rationing, food ration cards have also been reintroduced.

The 1981-85 period experienced a phase change in its economic performance which lawfully has led to the uncontrollable physical breakdown which we are witnessing today. The completion of the 1981-85 plan particularly showed in those sectors that directly affect the population at large, such as food, energy, and housing. For example, foodstuffs grew by only 8% instead of the planned 26.6%; the planned growth in real incomes was reduced by 50%; construction of the 900,000 apartments planned saw a shortfall of 21.5% (i.e., only 706,000 were built). At the same time, the work week, instead of being reduced from 46 hours to 44 as promised, went up to 48 hours and more.

Even official inflated figures could not disguise the trend in the net material domestic product, which was said to have increased 24.1%, instead of the planned 41.1%. Other dramatic failures recorded: net industrial production was increased 28.7%, instead of the planned 52.4%; marketable industrial production increased 21.6%, instead of 44%; gross agricultural output increased 25%, instead of 75.5%; and so on.

At the cost of literally starving the people, Romania has not only met all interest payments on its Western debt, but reduced the principal from \$11 billion in 1982 to \$6.5 billion in 1986, and then to \$5 billion at the end of 1987.

Soviet looting

The joint arrangement that has prevailed until now between Moscow and the IMF for milking Romania can be seen through a rough "flowchart" of a Romanian export-import cycle. When Romania slashed its imports from the West, the first category to be severely cut was imports of crude oil, which Romania had imported for its huge refineries, so as to export refined oil products. If Romania could not export oil products, it could not pay off its debts. Moscow filled the "gap" by exporting large quantities of crude oil to Romania, but, under Comecon pricing arrangements, well above world market prices. Romania has thus been able to keep exporting oil products to the West, for example, \$300 million worth of

gasoline in 1987 alone.

The price for Romania has been extraordinarily high. For its overpriced crude oil, the Soviet Union demands from Romania not only ever-increasing quantities of "high-quality" industrial goods but, starting in 1987, *foodstuffs* in payment. Desperate Romanian requests for higher prices on its food exports have been answered with a cold *nyet*.

Other stringent conditions for receiving increased supplies of crude oil were attached by Russia. Beginning in

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1986, Romania has been forced to sharply increase its export of oil drilling equipment to the Soviet Union, and thus "contribute" to the opening of new oil deposits in Siberia and the Caspian Sea regions. To come back to our imagined "flowchart," the Soviets have also demanded, and gotten from Romania a hard currency credit, so that Russia could purchase *Western* equipment for the huge Soviet Orenburg natural gas fields. Romania earned the hard currency through the sale of gasoline, etc., refined from Russian crude oil.

Overall, during the present five-year plan period (1986-90), a massive expansion of Romanian-Soviet "industrial cooperation and trade" is under way. In fact, the 1986-90 level of Soviet-Romanian trade will increase at least 70% above the 1981-85 period. Major areas, besides the chemical sector, involve steel, machine-building, rolling stock, and armaments industries. Romania is among the world's leading arms producers and exporters, and, in the Russian Empire's "division of labor," plays a vital role in arms exports to the Third World, a role now being augmented. These and other Romanian industries have come to depend heavily upon Soviet plant and equipment inputs and Soviet industrial orders to keep the production capacities and workforce occupied.

Romania's oil dependency on the Soviet Union is part of a shift to a dependency in the entire energy sector. By 1986, Romania was becoming increasingly dependent on the U.S.S.R. for equipping its electricity-generating plants, and has also increased its import of electricity from Soviet power plants. As in the case of crude oil, at a heavy price.

A case in point. As *partial* payment for electricity received from nuclear power plants in the Soviet Ukraine, Romania, in 1986 and 1987, delivered to the U.S.S.R. 20,000 70-ton railway dump cars for transporting grain. Romania thus not only exports food while its people starve, but also vital grain transporting equipment, while parts of its harvest rot for lack of such equipment. The grain cars are produced at a plant in Caracal in southwestern Romania, a plant set up in 1984 by Russia. The plant was described by *Pravda* (June 9, 1984) as "important to the fulfillment of the U.S.S.R.'s Food Supply Program." When one examines what a Romanian eats, such Soviet commentaries remind one of a cannibal thanking his human victim.

Rationing under 1988 Food Supply Program

The day-to-day reality of life in Romania can be vividly seen by examining the 1988 Food Supply Program, reported in the Dec. 25 edition of the party newspaper, *Scinteia*.

Per capita/per annum	Per capita/per day
38 liters of milk	about 0.1 liter
3.5 kg cheese	10 grams
1.5 kg butter	1 250-gram package every 2 months
128 eggs	About 1 egg every 3 days
3.6 kg rice	10 grams
22 kg maize meal	About 60 grams
13.5 kg fish and "fish products"*	Less than 40 grams
500 grams oatmeal	1.4 grams
Bread	315 grams per person/day

*In 1987, the amount was 15 kg

These figures speak for themselves. One should note that the miserable food amounts listed represent the maximum allowable food consumption for 1988.

As for meat consumption, the program says that there will be 70 kilograms of meat per capita in 1988, but dividing the total of 1,006,000 tons available according to this program by Romania's population of 23 million results in only about 44 kilograms per person for the year. This discrepancy the government does not explain. A 1987 ration card for a family of three from Brasov (scene of mass workers' demonstrations in November 1987), which recently reached the West, shows that in 1987, there were no meat supplies offered at all in January, March, and July, and only half a kilogram of chicken in February, May, June, and October. The ration card shows that the daily supply of rationed meat (poultry and pork) averaged only 23 grams per day—for a family of three!

To reduce the consumption of bread, Ceaucescu insisted some time ago that only *stale* bread be available to the public, a practice unknown elsewhere. This measure is being pursued despite the fact that Ceaucescu boasted that the 1987 harvest was the "largest in Romanian history."

Electricity power cuts

These cuts began in 1979, and have been imposed on consumption by households, schools, offices, scientific, cultural, and artistic institutions, and hospitals.

The draconian measures against electricity consumption in these areas has been undertaken to maintain electricity supplies for industry, i.e., so that industrial exports, above all to the U.S.S.R. and Comecon, and to the West (in this case food exports), to repay debt, can be maintained.

The table presents the power cuts from 1979 until now.

Year	% of cut	Index
1978		100
1979	20	80
1982	20	64
1985	12	56
1987 (Feb.)	20	45
1987 (Nov.)	30	32

Thus, Romanian households today consume at most 32% as much electricity as they did in 1978. Today's level of electricity consumption meets only 27% of the bare needs of a Romanian family.

A one-room (plus kitchen) apartment receives 17.4 kWh per month, compared to the pre-1979 Romanian norm of 64.4 kWh.

Present consumption in an apartment allows for two 40-watt bulbs per room, a refrigerator, a washing machine, and a vacuum cleaner.

The cuts exclude the use of radio, TV, irons, record players—i.e., things which many households have.

Usage in excess of these quotas is possible, but then one must pay high surcharges. This "latitude," however, only applies to private households. Offices, schools, all public buildings, including *hospitals*, may *not* consume over the abysmal quota. If they do, their electricity is cut off, and remains shut for a time period equaling the amount consumed in excess of the quota.

Concerning gas, the same principle applies even to households, which are allowed to go over the quota by 10%, at a price surcharge of 300%. If this 10% above quota limit is exceeded, then the gas supply is turned off, and stays off for the number of hours/days equal to the amount used beyond the quota.

The so-called "benefits" from all this for Romanian industry are exceedingly marginal. In 1985, private consumption accounted for only 6.4% of all Romanian electricity consumption.