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Romania: a new government with an eye on upcoming elections

Kamil Całus

On 15 June, the Romanian parliament passed a vote of confidence in a coalition government formed by the Social Democrats (PSD) and the centre-right National Liberal Party (PNL) party. The new cabinet, led by the PSD leader Marcel Ciolacu, was supported by a total of 290 deputies and senators (out of a total of 465), including almost all the representatives of the coalition parties (except for two PNL deputies) and deputies from the so-called national minorities parliamentary group. However, it was not supported by the other parliamentary parties: the liberals of the Save Romania Union (USR), the radicals of the conservative-national Alliance for the Union of Romanians (AUR), and the UDMR, which represents ethnic Hungarians living in Romania.

Ciolacu's cabinet was appointed in line with the coalition agreement which the Social Democrats, the PNL and the UDMR signed in November 2021. It provided for a rotating model of governance, according to which a representative of the PNL (General Nicolae Ciucă) served as prime minister for the first 18 months (from December 2021 to May 2023) to be replaced by a representative of the centre-left for the next 18 months. The PSD and the PNL each have nine ministries in the new cabinet. The UDMR, which had controlled three ministries in the Ciucă cabinet as a member of the government coalition, left the coalition after the other two parties refused to put its representative in charge of the ministry of development.

Commentary

- The replacement of the prime minister and numerous members of the cabinet was planned in advance, and serves as a kind of government reshuffle that will not entail any fundamental change in Bucharest's policy. The 'grand coalition' has a stable majority even without the UDMR. Regardless of the continuing habitual conflicts between the PNL and the PSD, it is set to survive until the end of its term in December 2024. There is no doubt that as the parliamentary and presidential elections come closer (both votes will take place at the end of 2024), the political rivalry and the related tensions between the parties will begin to grow. Despite the differences between the centre-right and the Socialists, both parties share the desire to weaken the AUR, which is a competitor to both the PSD and the PNL. This anti-establishment, nationalist and Eurosceptic grouping entered parliament in 2020 with 9% support. Its poll ratings have increased to about 20% and, according to some polls, it is currently the second political force (after the PSD) in the country. Its leader George Simion will almost certainly take part in the presidential

race. One of his rivals will most likely be the incumbent Deputy Secretary General of NATO, Mircea Geoană, who is supported by the PSD.

- The new government's political agenda clearly has the upcoming elections in mind. It is mainly focused on economic and social issues, which is typical of the PSD's narrative, and also draws upon nationalist rhetoric. Ciolacu's cabinet will primarily seek to stabilise the economic situation (including to further curb inflation, which already fell to 10% in May from 15% at the beginning of this year), stimulate economic growth and increase wages (by the end of 2024, Romania's GDP *per capita* in terms of purchasing power parity is expected to reach 82% of the EU average; currently it is 77%), and to rebuild existing social programmes. The government also intends to introduce a European-level minimum wage in the country. In his inaugural address, Ciolacu stated directly that Romanians must stop playing the role of "modern slaves" who receive the lowest salaries in the EU. The government has also promised to reindustrialise the state, boost the economy's productivity and promote "economic patriotism". On the one hand, this 'pre-election' agenda is intended to boost living standards in Romania as quickly as possible, and on the other to win back to the mainstream parties (above all the PSD) the protest electorate who are dissatisfied with the position of Romania and its people in the EU and are responsive to the AUR's radical slogans. At the same time, the government will have to face such challenges as the implementation of numerous reforms (the so-called milestones; Romania will only receive further funding under the National Recovery Plan if they are implemented) and reducing the budget deficit below 3% of GDP by the end of 2024 as required by the European Commission.
- The government reshuffle will not lead to any major changes in the country's foreign policy. Bucharest will continue to prioritise close cooperation with the US, strengthening Romania's position in NATO, consolidating the countries on the Alliance's eastern flank (especially within the Bucharest Nine), enhancing European integration and strengthening relations with key EU countries (primarily Germany and France). Although the PSD-led coalition may sometimes use a sovereigntist narrative to convince the right-wing electorate, it is not interested in conflict with the European Commission, especially given Romania's efforts to join Schengen (Austria has been blocking its accession since the end of 2022) and the importance of the National Recovery Plan for the Romanian budget. Luminița Odobescu will replace Bogdan Aurescu, who has served as foreign minister since 2019; she comes from the same political background (the PNL) as him, and is a professional diplomat with extensive experience in national and EU structures. She has served as an advisor for European affairs and foreign policy to the Prime Minister and the President and as secretary of state in the ministry of foreign affairs, and she was Romania's ambassador to the EU from 2015 to 2021.
- The government rotation envisaged under the coalition agreement signed at the end of 2021 took place after a three-week delay, mainly due to the national teachers' strike. The protest began in the second half of May and lasted until 12 June; it was the largest strike in almost two decades. About 150,000 teachers and almost 70,000 other education workers (a total of about 70% of the entire sector's employees) took to the streets. The protesters demanded salary increases, especially for teachers starting their careers whose salaries have so far been around €480 net; this is just over 50% of the national

average, which is about €870 net per month. Ultimately, the government agreed to an immediate increase in salaries for the entire sector by 25% starting this June, and to a further increase from the beginning of next year.

- The appointment of the new cabinet was also delayed by negotiations between the coalition partners on how to allocate the ministerial positions. The nomination of the minister of development turned out to be particularly problematic (one of the minister's prerogatives is the distribution of budget funds for the implementation of regional investments). According to the arrangements of 2021, the UDMR should have received this position, but eventually the ministry came under the control of the PNL, and the Hungarian party withdrew from the coalition in protest. Deciding on how to allocate development funds is extremely important to the UDMR, as this allows it to build up its political support among the Hungarian electorate, who are mainly residents of the Székely Land (south-eastern Transylvania). As a result, the Hungarian minority party will no longer be held responsible for the government's actions.