



## POLITICS VS ECONOMY

The information that the European Union (EU) by letter demanded "investigation into the privatization of more than 20 companies to be carried out in order to establish if their privatization was in line with the law and EU criteria", published by the respectable daily newspaper *Blic*, alarmed the Serbian public. *Blic's* writing was immediately confirmed by the Serbian Interior Minister Ivica Dacic, who said that the letter had arrived in the EU Ministry of Justice and that it had been "already forwarded to competent state authorities to deal with the allegations".

*Blic* reported a list of companies into which the EU seeks investigation of the privatization process. The names of these companies are no news as for years their privatization has been dealt by the Serbian media and the government's Council for the Fight against Corruption. The companies in question are the largest Serbian iron factory Sartid, pharmaceutical companies Jugoremedija and Srbolek, Veterinary Institute Zemun, mobile operator Mobtel, National Savings, the biggest Serbian retail - C market, the Port of Belgrade etc. *Blic* particularly emphasized that the list of dubious privatization contains even "five links with Milan Beko," one of the best known and most successful businessmen in Serbia.

Then, the privatization of Zastava elektro was executed by the consortium led by Ranko Dejanovic, husband of President of the National Assembly of Serbia and SPS Vice-President Slavica Djukic Dejanovic.

According to *Blic*, the government immediately responded to the letter from Brussels. The next day it reported that "the Republic and Special Prosecutor's Office (for fight against organized crime) held a meeting to discuss cases of privatization and sale of certain businesses that are suspected to be highly corrupted". *Blic* reported from a well-informed source that "prosecutors were delegated to deal with 24 specific cases for which Brussels has demanded notice on the progress in the investigation". The information on delegating prosecutors has not yet been confirmed, but a spokesman for the Republic Public Prosecutor's Office Tomo Zoric said that "all disputed privatizations in Serbia will be reviewed, because the Public Prosecutor's priority is to fight against high corruption and abuses that occurred during the privatization process".

Police Minister Dacic was very restrained when confirming information disclosed by *Blic* emphasizing that the list from Brussels "possesses nothing new which wasn't been in the media or wasn't subject to checks".



However, it is interesting other Serbian media almost neglected information from *S media portal*, owned by Dacic's SPS official Zoran Andjelkovic, which is completely contrary to information published by *Blic*. According to the portal, "The European Commission hasn't sent a letter to the Serbian government in which it demands resolution of corruption cases"? "We do not deal with individual cases", reports *S media portal* from unnamed sources in the European administration in Brussels. "It is true that corruption is one of the conditions that Serbia has to solve on the way to the European Union, but it is not true that we sent any letter to the Serbian government", was said to *S media portal* in Brussels. "We do not deal with individual privatizations, but meeting the criteria. We do not send letters and do not name the companies. We are only saying what the problem is. Your country and the public know what needs to be done for Serbia to receive a positive opinion on the Commission's Questionnaire. The situation is currently quite good. However, I must stress that we do not do anything behind the scenes. The whole process is transparent. There are standards, and we monitor how Serbia is aligning with those standards", said a Brussels' source to *S media portal*.

No matter in which form Brussels showed interest in controversial privatizations, it is clear they were the subject of correspondence between Belgrade and the European Union. It is, however, unclear whether the EU is engaged in the privatization as part of the process of obtaining answers to the Questionnaire of the European Commission in the same way as it demands from Serbia to answer questions about the cows,

habits and customs of citizens or for these cases there is a special interest?

It is unclear what Brussels expects from Belgrade in connection with these privatizations? To review them? To determine violations and punish the responsible? To prove that it is ready to fight against corruption? If it were so, the Commission would do something it is not normally the practice – arbiter in a domestic issue and make conclusions before the final decision is brought by the competent authorities of a country in question.

It is also unclear why Brussels chose these particular cases when there are other also controversial and unsuccessful privatizations in Serbia? Whether they were selected because the Brussels receives reports by the Anti-corruption Council in which these cases were itemized, or the European Union received complaints by some of the foreign companies which consider themselves wronged by these privatizations? Foreign companies have so far repeatedly shown they can get the protection of the Union when they consider that their rights have been jeopardized in Serbia. The case of dual excise duty on fuel in Serbia, which were abolished after the EU demand, is just one of many in which the EU companies managed to protect their interest. Excise duties have been eliminated, fuel importers will benefit, and the citizens of Serbia will pay fuel more. And finally, what will be the effects of this correspondence?

Will individuals who are found to have violated the privatization regulations bear consequences for having violated the Serbian laws or because it is demanded by the European Union?

Serbian experts expect nothing from the announced review of the controversial privatization processes. Editor of "Business Magazine" Radojka Nikolic said that "the whole case can be viewed at two levels". "The first level are the controversial privatizations of which Brussels has been informed primarily by the Anti-corruption Council, while there have been individual complaints", Nikolic said, adding that the second level are complaints of EU companies. Serbian businessmen believe that "an investigation into more than 20 privatizations could badly influence investments". One of the most successful businessmen in Serbia Miodrag Kostic said that "frequent reviews of privatization might affect the economy". "It seems we constantly speak of the privatization. I think legal authority should be doing their work regularly every day, every month, every year. It does not sound good to me to hear of a new affair every year, and some privatizations were made in 2001", says Miodrag Kostic, owner of MK Group. Government Council for the Fight against Corruption announced that they "do not expect investigations of controversial privatizations" because, as they claim "we delivered the documentation about it to the prosecution, but no investigations have been conducted."

It seems that one of the most successful Serbian businessmen Milan Beko, whose name is frequently mentioned in the context of the controversial privatization, knew something

others did not. The day before *Blic's* reporting, participating in a panel discussion organized by the German Friedrich Ebert Foundation, he fiercely attacked the Serbian government, accusing it that everyone in Serbia were "subject to payment of certain obligations - the racket at all social levels." Beko said that "the political oligarchy has taken or feudalized all the major national resources". He added that the "in a disturbed society and society with scarce resources, the policy becomes crucial, most vital and most significant financial resource and political oligarchy does not hesitate to monopolize and completely manage the resource". He also said that "the government in Serbia too often utilizes the monopoly of power against the capitalists which results in the entrepreneurs' personal safety being compromised regardless of the Constitution stipulating a guarantee of democratic freedoms. In practice it isn't so. In practice, the state publicly, through its officials, speaks openly about the arrests, because, as the Republic prosecutor says, May and June will be the months of arrest, and then the state even announces particular arrests", said one of the leading Serbian businessmen Milan Beko. This fervent public appearance and serious accusations against the government are more appropriate to an opposition political party than a businessman. In addition, it is familiar that during his business career Milan Beko rather operated "behind the scenes" and wasn't much present in public. Therefore, such public performance couldn't have happened without cause. Whether the reason has something to do with a letter from Brussels, it remains to be seen.



Milan Beko's statements show that the business elite in Serbia fears that the letter of the European Union and announced review of privatization could be used for the showdown of the police with the business. Beko's fierce appearance only confirms that relations between the richest people in Serbia or the so-called "business elite" and the Government are burdened by a lot of problems.

---

The richest Serbian businessmen (tycoons as they are pejoratively referred to by the Serbian public) are gathered in the elite club "Businessman" (Serb. "Privrednik"), but even thus organized they failed to become a partner with the government. Depending on who was in power, some of the businessmen had a better or worse status, but they all failed to affect official policies as an association. Therein may lie the problem of relations between the richest Serbs and the authorities? Some businessmen were very close to certain politicians or governments on the grounds of which they were given lucrative jobs that brought them huge profits. The shift of "their" politicians, as a rule brought business stagnation and the rise of other businessmen. There were those who managed to be influential in several governments. Some of the greatest Serbian tycoons began to acquire wealth at the time of former President Slobodan Milosevic (who ruled until the democratic changes in 2000), while some have acquired wealth after the democratic changes. However, until recently there has been a sort of "economic - political idyll" which is now over.

To be honest, Mirko Crvetkovic's cabinet is the least influenced by wealthy businessmen since the democratic changes in 2000th till today. The incumbent government cannot be said to have been making the decision or changing the regulations that were in the direct interest of some tycoon. However, the Government, fearing not to be identified with tycoons, have lost all contact with them, which resulted in the most important economic decisions being made, and the economy being completely ignorant of them, nor has anyone asked for their opinion and what the effects measures would achieve. And that is the same problem as that when the government is working in someone's interest.

Why the authorities in Serbia relate to the richest people in this way? The reason is very simple. Tycoons and businessmen have a bad rating in public. Of course, politicians do not have a better rating, but they live on the support of citizens as opposed to businessmen. Businessmen's bad image is mainly blemished by the practice of the Serbian society to always seek the culprit for a bad situation. The equation goes like this: for the poverty of the majority - the guilty are those who are rich. The global economic crisis that has imposed an additional problem of Serbia, only reinforced this logic. When a government has to explain to people why they have lower salaries, the unemployment is rising or why there's no production, it is easier to find the culprit in the rich than to say that they haven't fulfilled their promises. Perhaps this is why the incumbents during their term had repeatedly confronted with tycoons.



Tycoons were called up by the politicians to lift the offshore companies and operate through companies in Serbia, to pay taxes in their country, to show solidarity with employees and society as a whole, and to build some public facilities such as bridges. All these calls have remained largely unheeded.

Constantly conflicting with local businessmen, the government has achieved nothing, nor it has become more popular among the citizens, but it created opponents of the wealthy people.

It is interesting that in the world, the economic crisis united politicians and businessmen, while the opposite happened in Serbia. While governments of most developed countries together with leading business people are looking for solutions of the crisis while trying to keep jobs, here we are witnessing completely opposite process. Politics and the economy have never been farther away. The relation between the political elite and leading businessmen reflects why Serbia, a country with so much potential, fails to use its chances.

In Serbia, neither the politicians nor the people accepted the fact that we have chosen capitalism as a social system in which we live. Whether we like it or not, capitalism cannot exist without capital and those who earn more and give the job to others.

It is therefore crucial that the state adheres to the law in the process of reviewing privatization, that is, that it determines if anyone broke the law and makes him bear the consequences. It is important that this process does not turn into a showdown with rich people, all with intention to provide a content to "amuse" citizens before the election, rather than to determine the facts and act according to law, which is a behavior that can qualify Serbia for the community of developed European nations.

Finally, it is of utmost importance to finally start solving the country's problems. In terms of economy, unproductive tension between politics and the economy in Serbia is creating problems to both businessmen and politicians. Businessmen and politicians should work together to seek solutions in order to enable Serbia to overcome these difficult times with the least damage.