

TRANSITION IN SERBIA – ACHIEVEMENTS AND CHALLENGES

A lecture by Zoran Zivkovic, Prime Minister of Serbia at the London School of Economics, Friday 23 January 2004

Dear Ladies and Gentlemen,

Let me first of all express my great pleasure for the opportunity to be with you this evening while trying to satisfy your interest for my country - Serbia and the processes taking place in the first years of transition. I am going to introduce to you the most important achievements the first Serbian democratic authority has reached since 5 October 2000 up to date. I will also introduce to you our mistakes, but also the mistakes committed by the international community, both of which diminished our success.

I – INHERITED SITUATION

Serbia entered the transition with 10-year delay, as a destroyed and deeply criminalized country. In the period from 1991-2000, which was used by other countries in transitions for building and strengthening of their economic systems and state institutions, Serbia has passed through a 5-year civil war, isolation and the sanctions imposed by the international community, hyperinflation, escalation of terrorism and secessionism in Kosovo and Metohia and NATO bombing which is in the international law called cynically by a new term "humanitarian intervention - Angel of Mercy ". The population in Serbia managed to survive thanks to black economy and black market. It was not possible for the out-of-date state-owned economy to meet the competition demands of the world market. The most remarkable effect of the circumstances was a complete lack of confidence in otherwise weak state institutions and devaluations of all civilization values.

The Government of Zoran Djindjic formed in January 25, 2001 was faced with the following situation:

- the state excluded from all international organizations
- the state with a part of its territory (Kosovo and Metohia) under the foreign protectorate
- the state with the damages due to NATO bombing totaled over EUR 20 billion
- unsolved relations at the Federal State of Yugoslavia level
- outstanding liabilities to the citizens
 - children's allowances were not paid off for two years
 - farmer's pensions for three years
 - compensation for the unemployed for two and half years
 - overall debt for the unpaid pensions and other social benefits totaled EUR 230 million

- one of the poorest countries in Europe
 - inflation was 113%
 - average salary amounted to around EUR 40 (7.7 times less than in 1990)
 - average pension amounted around EUR 35 (5 times less than in 1990)
 - foreign exchange reserves amounted to around USD 300 million
 - 735,000 unemployed and approx 770,000 "sheltered" unemployed workers (on the forced leave)
 - 65% of the families with the income per household member lower than needed to survive
 - 400,000 refugees from the ex Yugoslav Republics, primarily Serbs
 - 200,000 internally displaced Serbs from Kosovo & Metohia
- completely destroyed economy
 - the internal debts totaled to EUR 15 billion
 - monopoly enterprises and the individuals intimate with the ex authorities who used the state funds and budgetary resources to get richer
 - almost 70% non-repaired railways, roads, schools, hospitals
 - foreign exchange debt to the depositor
- the state of organized criminal and, after Nigeria, the most corrupted state in the world
 - strong conjunction between the state and the police leaders and the mafia, with the alienated centers of power
 - seriously jeopardized security system due to the activities of the organized crime, corruption and terrorism of so-called OVPMB (Liberation Army of the Municipalities of Bujanovac, Medvedja and Presevo }
 - a high degree of criminality in the society, with the security services involved in it and on the other hand, denying the existence of the organized crime.
- the state which ranked among the first ten countries in the world for jeopardizing human rights of its citizens, restricting freedom of the press, persecuting and assassinating of the political opponents
 - autonomy of the University was cancelled and the professors were brought down to the level of the Government officials

- municipalities were deprived from all their competences and there was no possibilities for them to do anything in view of improvement of their inhabitants' standard of living
 - fines sentenced according to law on public media were so high and it happened that the furniture of journalists was seized at worst.
- Complete non-cooperation with Hague Tribunal

II WORK OF THE NEW GOVERNMENT

In such circumstances the reform-oriented Government has committed to the fastest and therefore the most radical model of transition. According to the estimations of the expert teams of IMF, World Bank and other relevant institutions, the new Government has achieved exceptional results in the period from 2001 -2003.

At the beginning of its mandate, the Government of the Republic of Serbia set the following goals:

- radical reforms in all segments of the society
- institutional reconstruction, including the relations at the federal state level
- revitalization and increasing the competitiveness of the economy
- comeback to the international and regional organizations
- involving in European-Atlantic integrations
- solving the problem of Kosovo

Since the inherited situation, over the period of 1000 days we have managed to do the following things:

- we got Serbia back to the international and regional organizations
- we defined the relations in the State union of Serbia and Montenegro
- we implemented the reforms in many segments of the society
- we achieved a stable economic growth
 - annual inflation rate was reduced from 112% in 2000 to below 8% in 2003
 - foreign exchange reserves were increased from USD 0.3 to 3.5 billion
 - a steady rise in GDP growth per capita from USD 829 in 2000 to USD 2,570 in 2003
 - black economy was suppressed to a great extent
 - illegal trade with naphtha and its derivatives was suppressed
 - cigarette trafficking was eradicated
 - all disparities in prices were corrected and the price system in the country fully liberalized
 - purchasing power and the living standard of the population was improved – average net salary per month was raised from around EUR 40 in September to EUR 180 in August 2003

- for payment of a minimal shopping basket with food and drinks along with services, in September 2000, more than two average net salaries were needed and in August 2003 – 0.9.
- In the field of the economy recovery, we have carried out a successful process of privatization – transparent, fair and public one.
 - 919 enterprises were privatized, with the direct income of EUR 1.214.973,000 and direct investments of further EUR 665.658,000
 - for social programmes in these enterprises additional EUR 261.106,000 was invested
 - we have attracted so far 15 big multinational companies
 - our privatization law was evaluated by the leading financial institutions as the best law on privatization among the countries in transition
 - In the restructuring process there are 49 big systems with 155,000 employees and until now the process has been completed in a number of big systems.
- Care for the population was provided
 - A social security net was reestablished
 - A greater portion of the debts in the field of social welfare was repaid
 - Parent allowances for the second, third and fourth child was introduced
 - Pensions were increased four times compared with the situation in 2001 and are paid off regularly
- Educational reforms started, as a base for all reforms
 - A law on primary and secondary schools was adopted, adoption of the law on high education is expected
 - Salaries of the employees in the primary and secondary schools were increased from EUR 30 to EUR 220
 - For construction and reconstruction of the buildings, EUR 50 million was invested
- In the sphere of the improvement and maintenance of the state and its citizens security:
 - The action SABER was completed, and as a result, one of the best organized criminal groups was destroyed and Zoran Djindjic assassination and over 30 other murders were cleared up
 - A great number of the hardest criminal acts from the past period were cleared up
 - Overall rate of criminality was reduced by approx 40% in 2003 when compared to 2000.

- The problem of electricity shortage was solved (EUR 1 billion was invested) and 1300 km of the motorways were constructed and reconstructed.

During the first three years, in none of the countries in transition were achieved so great results in the sphere of macroeconomic stability and the improvement of the citizens' living standard on the real bases. Over the period of three years, not in the single one of the countries in transition such a great progress in the combat against organized crime was recorded.

3. Mistakes

1. MISTAKES COMMITTED BY SERBIAN REFORM-ORIENTED GOVERNMENT

The biggest mistake of the democratic authority was made in the night between October 5th and 6th in 2000, immediately after the big civil democratic October Revolution in Serbia, namely an opportunity was missed to make a fast, resolute and non-violent discontinuity with Milosevic's regime, his Constitution, the military and police generals – his marionette, his financial oligarchy and with all other evils he has created during his 10-year governing. Mr Zoran Djindjic, *mea parvitas* and a number the then coalition members were prevented by Vojislav Kostunica and his obedient comrades from doing that. The very next day Mr Kostunica had a secret meeting with Milosevic and over the next two years, under cover of pseudo-legality, he has done everything to protect the defeated holders of Milosevic's power. It was our mistake that we had not enough courage to start the discontinuity process on that night, in spite of Kostunica's objection. We paid for the mistake by a slowdown in reforms otherwise enabled by the institutional and personnel obstacles Milosevic has left behind and Kostunica protected. That mistake Zoran Djindjic paid with his life.

The second greatest mistake has been a totally inappropriate PR of the Government of the Republic of Serbia. Dedicated to the efficiency and quality in conducting reforms, the Government has missed the chance to inform the domestic and international public of all its achievements in the last three years. This has made it possible for the opponents of the reforms, and they are certainly numerous, to take initiative in the media and start sending in ether endless lies, half-truths, fabricated or blown up affairs. The Government of the Republic of Serbia has lost the war in the media to the detriment of the Republic of Serbia. No doubt it is a pity for Serbia as the adversaries of the reforms have succeeded in compromising successful reforms in the eyes of a large part of the population.

Besides these two fatal mistakes, many other mistakes were committed as a consequence of our craving for ever faster and more efficient reforms. These mistakes have come as a normal result of the big job that was done during these three years. However, we believe that they are neither tragic nor irreparable.

2. MISTAKES COMMITTED BY THE INTERNATIONAL COMMUNITY

Back in summer 2000, the International Community – Washington, Brussels, London, Paris, Berlin – did not believe in the possibility of the then opposition winning the elections scheduled for September. We were candidly told to be weak, unorganized, divided by vanity and thus incapable to beat Milosevic. This was proved to be just one more in a series of erroneous assessments of the International Community in the last decade of the 20th century.

Eight years earlier, back in 1992 the UN had imposed sanctions on Serbia with an explanation that they would stop Milosevic's hegemonic policy. The effects of the sanctions were: ruined economy, hospitals lacking of medicaments, tens of thousands of people with no salary, families in need of food and electricity. As for Milosevic, he never felt any hardship due to the sanctions. He himself and his associates got rich by legalizing smuggling operations and gaining control over them which brought them huge benefits. Milosevic used the circumstances to radicalize his fight against us, the opposition, treating us as traitors.

Several years later, after signing of Dayton Agreements which ended the war in Bosnia and Herzegovina, the International Community lifted the sanctions and proclaimed Milosevic to be the "guarantor of piece in the Balkans". He used this "title" to present himself to the citizens of Serbia as a high ranking statesman enjoying support of Europe and America, in addition to the traditional allies, Russia and China.

One year later, the sanctions were back and in 1999 started bombing campaign – the first NATO operation in 50 years of its existence. The "Merciful Angel" killed several hundreds of citizens of Serbia, civilians – Serbs, but also Albanians and others – in market places, on bridges, in hospitals and in TV studios. Milosevic was offered an even better environment to defeat us, his political adversaries. He never suffered any frustration and his family and his oligarchy got even richer. The country was devastated, damages inflicted by bombing reached several tens of billions of dollars and they were not and will not be paid by Milosevic, but by the citizens of Serbia. Once more, wrong policy of the world towards Serbia extended Milosevic's rule, this time for more than a year.

When the dictator was finally chased away from power, first through the will of our citizens expressed at the elections, and then also thanks to a resolute action of October 5, 2000, I had some hope that the world centers would have more understanding for what was happening in Serbia and that their financial and political assistance would be well-timed and adequate. In the beginning, financial aid was really fast and sufficient to overcome enormous problems we were facing with shortage of electric power, medicaments and food and I feel obliged to thank all those who offered it.

Regretfully, the policy of wrong evaluations and erroneous moves was quickly resumed. I will not mention but two examples – the Hague Tribunal and Kosovo and Metohija.

Cooperation with the International War Crime Tribunal in the Hague

In the history of humankind, there has never been a state that has had such an intense and broad cooperation with an International Court like Serbia has had in the last three years. I would like to remind you that thanks to the reforms-oriented Government and upon the prosecutor's order, have been arrested and delivered to the detention unit, among others, Mr. Slobodan Milosevic, former president of the FRY, Mr. Jovica Stanisic, former head of the Government Intelligence Department, Mr. Franko Simatovic, former commander of Special Operations Forces of the Ministry of the Interior, Mr. Veselin Slivancanin, former officer of the Yugoslav People's Army. Another 13 citizens of Serbia surrendered of their own free will, among which Mr. Milan Milutinovic, former president of the Republic of Serbia, Mr. Dragoljub Ojdanic, former Chief of Staff of the Military of Yugoslavia and former Minister of Defense, Mr. Sainovic, former vice-president of the Government of the FRY, Mr. Vojislav Seselj, president of Serbian Radical Party and former vice-president of Serbian Government, generals of the Military of Yugoslavia, Mr. Mile Mrksic and Mr. Pavle Strugar. More than 200 government officials and employees were released from their obligation to keep state, military and official secret so as to be able to give their statements during the trial; several thousands of documents have been submitted to the Chief Prosecutor's Office, including confidential documents of the Supreme Defense Council (Supreme Command Authority of the Armed Forces of Serbia and Montenegro), confidential documents of the Armed forces of Serbia and Montenegro and Ministry of the Interior of the Republic of Serbia, records from the closed sessions of the Serbian Parliament, etc. If General Mladic was in Serbia, he would also be arrested.

This cooperation is our international obligation, it is our obligation under our own law as well, but it is also something we owe to the citizens of Serbia if we do not want them to bear the burden of collective responsibility for crimes against humanity and international law that many would very much want to charge them with. Therefore, this cooperation has been maximal. However, Europe and the United States do not wish to admit this fact. Financial and political aid required for continuation of our Euro Atlantic integrations has been constantly conditioned upon our cooperation with the Hague Tribunal, although everyone is aware that it is absolute. By putting pressure and responsibility on the Government of the Republic of Serbia, by inventing new and new false stories on our alleged insufficient cooperativeness, the prosecutor is trying to justify her own shortcomings and make up for the poor grounds of her accusations within the proceedings initiated before the Tribunal.

Had the frequent pressures on our country not continued after the leaders of the old regime were delivered to the Tribunal, it is possible that many unfortunate events in Serbia could have been avoided. It is not by accident that the operation of assassination of the Serbian Prime Minister was called "Stop Hague" – it was a message to the world and our own public. According to the actual state of affairs, as a result of the steps made by the International Community, we are witnessing obstruction of reforms and strengthening of those forces that would not only completely suspend cooperation with the Hague Tribunal, but would also continue conducting Milosevic's policy.

Kosovo and Metohia

The problem of Kosovo and Metohia dates back many years but so far nobody has found the right solution for it. Milosevic turned this problem first into a crisis, then into a disaster. On the other hand, the results achieved by the International Community that took over responsibility for solving this problem as of June 10, 1999, are also disastrous. Despite the presence of the international armed forces, police forces and administration, more than 200,000 Serbs and other non-Albanians were expelled from Kosovo and Metohia, and more than 1,300 Serbs were killed, about 1200 people being reported as missing. Several thousands of houses have been burnt down, more than hundred churches demolished, many Serbian graveyards violated and destroyed. Far from being condemned for any of these crimes, no one has even been accused for three and a half years. More than 100,000 Serbs that have stayed in Kosovo live in ghettos, their safety being less than minimum, deprived of their rights to circulate freely, to work and educate themselves. Not only their basic human rights are jeopardized daily but their physical existence – their life is in danger – and all that is happening in front of numerous members of International Forces responsible to create conditions for normal life of all citizens of Kosovo and Metohia.

At the same time, Kosovo and Metohia is the most criminalized part of Europe, and the Albanian mafia is one of the most spread criminal group on our continent. In sexual trafficking and drugs trafficking they have a monopolist position in most European cities, including London.

The International Community has been tolerating this situation without fulfilling any of the serious obligations assumed under the Security Council Resolution No. 1244. On the contrary, representatives of the International Community have behaved so far as allies of terrorists and narco-mafia, now disguised in politicians' robes. Responsible politics that the Government of the Republic of Serbia has had towards Kosovo and Metohija have not been accepted by the International Community. This is another area where the retrograde forces in Serbia are getting new points, jeopardizing further process of reforms and safety both in my country and in the whole region.

3. Serbia in the post-elections period

The results of the parliamentary elections that took place on 28th December last year demonstrate that the majority of Serbian citizens are tired of reforms. The assessment according to which the parties of democratic orientation have won the majority vote is wrong. Some of the parties that are presenting themselves as a democratic option before the citizens of Serbia are in reality democratic only by their name. As a matter of fact, they are a part of the anti-reforms block.

Who is to blame for that – those who have implemented successful, but painful reforms, or those who have dressed Milosevic's politics into a new suit of quasi-legalism and national democracy and spent three years to protect and safeguard these politics? As a Prime Minister of the Government that maintains continuity with the government of Mr. Zoran Djindjic, I am proud of what we have done in the last three years, but I am also worried because of temptations ahead of us. The reforms in Serbia are jeopardized, thus putting in danger stability and security not only of my country but of the whole region as well. It is an imperative that the reforms should continue in the same direction and at the same rate.

The Democratic Party, the most vigorous and most consistent bearer of changes in Serbia in the last 3 years is ready to continue its mission. The progress of Serbia is not possible without the Democratic Party, but even the Democratic Party cannot make it on its own. We have devoted allies in smaller parties with similar programs, determined to carry on reforms and continue unfinished struggle for complete recovery of our society. Assassination of Mr. Zoran Djindjic, Prime Minister and president of the Democratic Party, was a terrible shock to the reforms-oriented Government and to the Democratic Party. The least we can say is that this loss can hardly be made up for, but his sacrifice is an additional motivation for all of us and we are committed to accomplish the mission that we had once started together.

We know where we made mistakes and we shall not repeat them. Nevertheless, we still need help from the democratic world, and the greatest help would be to avoid mistakes committed in the past. Do not let young and still vulnerable Serbian democracy experience the destiny of the Weimar Republic, from the ashes of which an obscure mind was born and the Nazi policy of Adolph Hitler. Do not ask of Serbia to achieve in three years those standards that have been built up for decades in other countries, do not look upon Serbia as upon an adversary. Help us, come to Serbia and you will create the most powerful and most loyal ally in the Southeast Europe.

Thank you for your kind attention.