

Country Report: Former Yugoslavia
Focus: Serbia – Deepening of the Crisis
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This report focuses on the economic and political situation in Serbia following the elections in 2012, the attitude of political parties towards the accession of Serbia to the EU, as well as an analysis of the economic crisis in Serbia in the context of the region and Europe, and the lack of articulation of the position of the left.

Socio-political-economic differences between the countries emerged after destruction of Yugoslavia are very pronounced due to historic development during the last 20 years. This ranges from Slovenia, which has been an EU member since 2004, and is a part of the eurozone as the only former Yugoslav republic (since 2007), to, on the other hand, Kosovo and Bosnia and Herzegovina, which exist de facto as protectorates of the NATO and the EU.

Perhaps significant economic-political parallels could be drawn between Serbia and Croatia. Since recently, Serbia has been a candidate for accession to the EU (2011), while Croatia will become a full member in 2013.

Unfortunately, there is not a single strong parliamentary party of democratic socialism or any party of radical left in the region and therefore it is really difficult to make a comparison with SIRIZA, Die Linke, Front de Gauche and similar political forces of the European Left. Due to low level of political articulation in the trade-unions, absence of significant social movements and lack of the left on the academic level, it is likewise hard to speak about the effects of the economic crisis, on establishing a joint front, on constructive suggestions for the struggle against the austerity measures, and on strategy for the transformation of Europe.

Destruction of Yugoslavia and Crisis

The debt economic crisis in Yugoslavia starts in the eighties when already the first neoliberal reforms prescribed by the IMF are initiated, with introduction of austerity measures and the beginning of destruction of the socialist state. Pressure for neoliberal reforms and opening of the market was the strongest just before the outbreak of war in Yugoslavia. The first laws on privatization and neoliberal reforms were started as early as 1989. From 1989 to September 1990, more than 1000 public companies went bankrupt and the GDP growth rate dropped by 7.5%. In 1991, at the very beginning of war actions, the GDP dropped by another 15%, while the industrial production dropped by 21%. During the wars, economic collapse, mega inflation, deindustrialization and devastation of the infrastructure took place.

The biggest wars in the newer European history were the wars in former Yugoslavia. These wars took more than 100,000 lives from 1991 to 2001, with the highest number of casualties in Bosnia. These wars in Yugoslavia were led globally as well as locally and served to restore capitalism and form new ethnic states, in collusion of dominant capitalist classes with war profiteering, as well as the resurrection of anticommunist, national-chauvinistic and fascist projects from the past. Germany, Russia, the USA and neighboring countries played a very important role in these wars, which could be observed as a significant accelerator of neoliberal capitalist imperial project imposed on the whole Europe.

Following the complete destruction of the socialist project, the whole region was struck by stronger processes of neoliberal transformation. For more than a decade now, neoliberal and Euro-Atlantic integrative political discourse has claimed that the majority of countries emerged after the destruction of Yugoslavia are in the state of “economic transition” and that it is expected that after “normalization” is successfully carried out by Euro-Atlantic integrations of these societies, this will lead to political stability and economic prosperity of the whole region.

Still burdened with political right populism and ethnic nationalism, and drastic economic pauperization at the economic periphery of Europe, the majority of countries of former Yugoslavia are in a state of neocolonial dependence and great internal crisis that is characterized in political sense by drastic democratic deficit, while in economic sense by dependence, fall of production, deindustrialization, growth of internal and external debt.

Serbian Neoliberalism of 2000s

Complete neoliberal legislative reforms were carried out in Serbia after October 5th 2000, when Milosevic’s government lost the elections. The ruling Socialist Party of Serbia (SPS), which was lead by him, and which took part in the war of the 90s, declared itself as the socialist left fighting nominally for the heritage of the SFRY. This made possible the creation of ideological confusion that would later result in antagonism towards the left in the general population.

During the NATO bombardment in Serbia, beside a large number of human casualties, some crucial factories were also destroyed, bridges in major cities and economic infrastructure, so that after Milosevic’s fall, doors would open to foreign investments precisely from the USA and EU; for example, the Nis Tobacco Factory, which was bombed by the NATO in 1999, is now taken over by Phillip Morris, while the Smederevo Steel Mill was taken over by US Steel.

The victorious Democratic Opposition (DOS), lead by Prime Minister Zoran Djindjic (who was assassinated in March 2003), implemented the new drastic privatization laws in 2001. The possibility for potential economic growth of Serbia was seen by the ruling Democratic Party in the orientation towards foreign direct investments, opening towards international financial market and credits of foreign banks, inflow of money from workers of Serbian origin living abroad (remittances) and similar. In political sense this means taking the course of accession to the EU and the process of initiation of Euro-Atlantic integrations of Serbia together with the rest of the region.

Following the outbreak of crisis in the USA and Europe in 2008, in the beginning, Serbia was possibly less struck by this first wave due to weaker integration of the institutions into the global market and the “delay” in the possibilities of incurring debts. Other countries in the region that were more deeply incorporated and integrated in the EU, and thus more a part of the global financial system, also felt the crisis more drastically. In the period 2009-2010, Serbia even registered a 0.5% GDP growth. This was also the case with the region states that were not a part of the EU, like Albania and Bosnia, but was not the case with the EU members in the region, which registered a 3.4% fall of the GDP (Bulgaria, Greece, Romania and Slovenia) [1].

The relative economic growth of Serbia in the period before the world crisis from 2000 to 2008 was based on credits from foreign banks that were only beginning to shift into top gear and

foreign direct investments. In 2009, based on the Vienna Initiative for the support to parental banks, the IMF approved Serbia a credit of 402.5m EUR so the banking credits could flow on and austerity measures were initiated with reduction of state expenditures, income of public workers, pensions, etc... [2].

The crisis then accelerated the negative effects from the transition period 2000-2008, when almost complete deindustrialization was carried out and historic unemployment rate of 25,5% occurred. Privatization of the oil refinery was carried out and as well privatization of the most of the companies with capital partly owned by the state, in order for it to be intensified to a point when it is getting harder and harder to find potential investors into this economy.

Elections 2012 and Intensification of the Crisis

At the beginning of 2012, the reality of Serbia is devastated economy in which industrial production is almost non-functional and large foreign investments like the US Steel have pulled out. The Steel Mill is now run by the state, which is looking for a new investor, the production has dropped and the workers are on forced vacation. US Steel comprise almost 15% of the total Serbia's export with 850m EUR per year. The deficit between export and import is 4.7 billion EUR [3]. In February 2012, the IMF freezes the credit. The average net salary in May 2012 in Serbia totalled 360 EUR.

Neoliberal course of the ruling Democratic Party (DS) was challenged even in the elections of 2008. Then the DS formed the Government with the reformed party of the Milosevic's SPS that is led by Ivica Dacic. It is no secret that the formation of this coalition was pushed by the interventions from embassies and Brussels in order to avoid an alliance with the nationalist anti-EU parties.

In the 90s, the SPS was synonymous with the Serbian nationalist war policy, while in the 2000s, by distancing itself from ties with war criminals, and even supporting the first realized Gay Parade in 2010, it reformed itself into a party of nominal social-democratic pro-European orientation. As a confirmation of its reformation the SPS submitted a request for the membership in the Socialist International. The SPS relatively successfully in the Serbian political scene offered the voters technocratic substitution for non-existing option of democratic socialism. However, during the four-year coalition with the DS, they demonstrated the same degree of cohabitation with capital, practically complying with the same mechanisms as the liberals or the democrats.

With the emergence of the world economic crisis, this ruling coalition did not challenge a single paradigm that had been previously in force concerning the Euro-Atlantic integrations. Numerous protests of deprived workers and employees in the communal services were successfully quashed by police force. Unfortunately trade-unions were not strong enough to articulate the privatisation issue in a way that would have the potential to create front against privatisation. The claims of the unions were confined to the protection of the working places and to outstanding wages. The notion by the ruling classes was maintained that there was no alternative to EU accession and that all the problems would be solved through foreign investments and integration.

Before the elections, during May 2012, almost all big political parties, and even the reformed SPS, stayed on this course by preaching rhetoric of credits and foreign investments as the only option for economic growth and economical survival.

The peculiarity in Serbia is the policy of the right-wing parties that are trying, by connecting themselves to Putin's Russia and potential credits from Russia, to overcome the blockade from Brussels. This connection has its real achievement in the win of the Serbian Progressive Party (SNS) (reformed nationalist Serbian Radical Party) and their candidate for the president of Serbia, Tomislav Nikolic. The connection of domestic refugee tycoons that operate in Russia, like Bogoljub Karic, whose family members are on the SNS MP list, is obvious. The ultra-right offers alternative by promoting the concept of Euro-Asian Union (radical clerical-nationalist party Dveri, (3.7%), and radical neofascist party 1389, both not in the parliament on the republic level, while in Novi Sad or Kraljevo, for example, they made it into the city parliament).

The new Serbian Government was announced on the symbolic date of the Kosovo battle, on June 28th 2012, by the conservative nationalist "pro-EU" SNS (24%) and SPS (14.5%). The third partner in the coalition is the neoliberal United Regions of Serbia (URS) (5.5%), one of the main executors of the process of privatization during the 2000s [4].

Although there is great potential for social changes in Serbia (50% of population did not vote), not one party of the democratic left, or a single serious social movement organized themselves in time. Criticisms that were directed towards the ruling democrats benefited the conservative SNS.

IMF, Fiscal Council and Austerity Measures

Before the elections, the Fiscal Council, an agency of the Serbian Government, in its strategic evaluation report for 2011[5], put forward a series of guidelines in which it suggests more rigorous austerity measures. In June 2012, the Fiscal Council spoke up once again by saying that the present austerity measures were insufficient due to diminished economic growth in the first semester [6]. In its suggestion for the measures of fiscal consolidation, it states that the public debt in 2011 surpassed the legal limit of 45% of the GDP and continues to grow even in 2012, and will also continue in 2013. Instead of the planned GDP growth of 1.5% in 2012, there was stagnation. In the case of deepening of the economic crisis in the EU there will be a further reduction of economic activities in Serbia, according to the opinion of the Fiscal Council [7].

The measures that the Fiscal Council is proposing to the new Government in order to reduce the budget deficit are: tax reform and increase of the VAT tax rate from 18% to 22%; freezing of pensions and incomes in the public sector, and especially the general pension reform because in Serbia there is almost equal number of pensioners and employees, so the freezing of pensions and raising of the age limit is announced as an inevitable measure; as well as the establishing of a sustainable system of fiscal decentralization. The Fiscal Council sees the suggested austerity measures as measures that will initially contribute to stoppage of economic growth, but will "start to work" in the future and this only if a new economic crisis in Europe does not take place. Only in this case a 2% GDP growth is envisaged in 2013. The program of fiscal consolidation that the Council proposes in its document is like the programs that were implemented long ago by EU member states like Slovenia, Latvia or Romania.

Similar measures were requested by the IMF when it froze its arrangement in February 2012, by penally retreating from Serbia, until it is approached by the new Government. The IMF sent a message that the new Government had to implement similar measures, modify the Labor Law and carry out the reform of the pension system, as well as reduce the number of employees in the public sector.

Although Serbia, compared to other countries in the region, remains economically in a relatively “stable” position due to its late opening towards credits and foreign investments (it is therefore a whole decade behind Slovenia, for example, and hence does not have a large foreign debt), it is nevertheless, due to other factors, in a very bad situation. There are, above all, the war actions from the 90s, then the process of intensive deindustrialization, corruption of local government by the import lobbies. Due to this, complete devastation of production took place on all levels, including the production of food, where Serbia, not so long ago, was self-sustainable. Some experts claim that the agricultural production of Serbia is currently at the level of the year 1945.

The attraction of the foreign direct investments was solved by the Government through subventions that amount to as much as 10,000 EUR per one work position. The model from the EU that has already devastated certain national economies is being imported, and in Serbia this model is still promoted as successful. An expert from the Serbia Investment and Export Promotion Agency states in June 2012 that this program of financial support to direct investments was designed after similar programs of the South-Eastern European countries (Slovenia, Slovakia, above all, although there are also elements of the “Irish model”) that gave good results in the transition as to attracting investors [8]. It is more than bizarre to look up to the “Irish model” in Serbia, and this four year after a deep recession in which Ireland found itself following the bursting of the “Celtic Tiger” bubble. Although the epicenter of the Euro Crisis is in the neighboring Greece, and although the Hungarian recession or the Romanian draconic austerity measures are shaking the immediate neighborhood, Serbian politicians and experts behave as if nothing is happening around them. Main occupation of the ruling parties in Serbia stays Kosovo independence and problematic of the borders.

Regional Initiatives of the Left and the Crisis

The biggest problem is that currently there is no parliamentary left or a strong social movement that could articulate all the accumulated complexities and problems of the region, and offer analytical solutions. Due to similar economic-political context and shared history in the region, it is important for the left actors, which would contribute to solution to these problems by articulating leftist politic, to connect. Connecting of initiatives and actors that will be able to put nationalist interests aside is a precondition for the formation of a democratic left.

The potential of Greek left as a regional example is great, but there is too little communication between the social movements, trade unions and parties from the Balkans that could inherit such an experience at home.

In Serbia, there is urgent need to form a coalition of trade-unions and social movements in defense of the commons, since the public sector in the country is still not completely privatized. For now, the situation in Croatia is more optimistic with the articulation of the left. The intellectual leftist scene in Croatia, partly emerged from the successful Student movement, managed to organize itself and to challenge the concept of inevitable accession of Croatia to the EU. Immediately before the referendum on the accession to the EU, the platform “Democratic Initiative Against the EU” was established. Critical analysis of the economic crisis and the EU integration was articulated in public for the first time, criticizing the neoliberal social-Darwinist and antidemocratic characteristics of the mechanisms of the EU [9]. However, on the referendum held in February 2012, 66% of the citizens voted for the accession to the EU. Referendum was

accompanied by media campaigns supporting the culture racist discourse of the ruling classes that Croatia is a “natural” part of European culture and not of uncivilized Balkan.

At the moment, there is a phase of intensive connecting of left actors from former Yugoslavia and the region. The newly structured Balkan Forum that took place in May 2012 at the international Subversive Festival in Zagreb is one of the important platforms of exchange [10]. A discourse is developing about the need to create a Balkan economic-political federation, a model, that could be included in the concepts and strategies for the transformation of Europe.

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