

Serbia

by Slobodan Markovich

<i>Capital:</i>	Belgrade
<i>Population:</i>	7.5 million (excludes Kosovo)
<i>GDP/capita:</i>	US\$3,117
<i>Ethnic Groups:</i>	Serb (82.9%), Hungarian (3.9%), Bosniak (1.8%), Roma (1.4%), Yugoslav (1.1%), other or unspecified (8.9%)

The economic and social data on this page were taken from the following sources:

GDP/capita: *Transition Report 2006: Finance in Transition* (London, UK: European Bank for Reconstruction and Development, 2006).

Population, Ethnic Groups: *Population, 2002 Census of Population, Households and Dwellings* (Belgrade: Statistical Office of the Republic of Serbia, February 2003).¹

Nations in Transit Ratings and Averaged Scores

	Yugoslavia				Serbia			
	1999	2001	2002	2003	2004	2005	2006	2007
Electoral Process	5.50	4.75	3.75	3.75	3.50	3.25	3.25	3.25
Civil Society	5.25	4.00	3.00	2.75	2.75	2.75	2.75	2.75
Independent Media	5.75	4.50	3.50	3.25	3.50	3.25	3.25	3.50
Governance*	5.50	5.25	4.25	4.25	4.00	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	4.00	4.00	3.75
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	3.75	3.75	3.75
Judicial Framework and Independence	5.75	5.50	4.25	4.25	4.25	4.25	4.25	4.25
Corruption	6.25	6.25	5.25	5.00	5.00	5.00	4.75	4.50
Democracy Score	5.67	5.04	4.00	3.88	3.83	3.75	3.71	3.68

* With the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTES: The ratings reflect the consensus of Freedom House, its academic advisers, and the author of this report. The opinions expressed in this report are those of the author. The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

In *Nations in Transit 2007*, Freedom House provides separate ratings for Serbia and Kosovo in order to provide a clearer picture of processes and conditions in the different administrative areas. Doing so does not indicate a position on the part of Freedom House on Kosovo's future status

EXECUTIVE SUMMARY

Serbia's democratic transition began much later than that of most other post-Communist countries. When the Socialist Federal Republic of Yugoslavia (SFRY), a multinational federation of 6 republics broke apart in 1991, Serbia and Montenegro formed the Federal Republic of Yugoslavia (FRY) in 1992. Replacing the FRY in February 2003, the two states signed the Belgrade Agreement to form the State Union of Serbia and Montenegro, a highly decentralized but joint state under a deal brokered by the European Union (EU). During the 1990s, Serbia was under the authoritarian rule of Slobodan Milosevic, who was tried by the International Criminal Tribunal for the Former Yugoslavia (ICTY) in The Hague for genocide, war crimes, and human rights abuses committed in Croatia, Bosnia and Herzegovina, and Kosovo between 1991 and 1999. Following the fall of the Milosevic regime in 2000, Serbia's democratization slowly resulted from elections won by the opposition and massive protests that forced the regime to accept the election results. The transition was negotiated, with some members of the old regime supporting the opposition for the price of political protection. The legacy of the populist and nationalist Milosevic regime left deep ruts that continue to shape Serbia's political landscape.

In political terms, 2006 was the most difficult year for Serbia since the democratic revolution of 2000. Serbia struggled with five very substantial problems over the course of the year: the resolution of the status of the State Union of Serbia and Montenegro; efforts to enact a new Constitution in Serbia; international efforts to define the final status of Kosovo; cooperation with the ICTY and the question of ICTY-indicted General Ratko Mladic; and status of negotiations with the European Union (EU) on the Stabilization and Association Agreement (SAA). Following the positive outcome of the independence referendum in Montenegro in June, Serbia became independent and the State Union was dissolved. After six years of various democratic governments in promising a new Constitution, finally, in October 2006, albeit amid controversy, the new Constitution of the Republic of Serbia was accepted. From 2004 through 2006, the country's two most popular political parties—Serbian Radical Party (SRS) and the pro-reformist Democratic Party (DS)—have been in opposition, creating a paradox of the Serbian political scene. The center-right minority government of Vojislav Kostunica's DSS was able to survive through 2006 with the support of parliamentarians from the Socialist Party of Serbia (SPS), the party formerly headed by Slobodan Milosevic. The country's least contested developments in 2006 were achieved in the economic sector. The overall conclusion of the annual report of the International Monetary Fund was that "Serbia has made significant economic progress since 2000." Output increased by 40 percent from 2000 to 2006.²

National Democratic Governance. Serbia peacefully weathered several challenges to national democratic governance in 2006. Montenegro voted in June in favor of independence. The Serbian government's formula for Kosovo—"more than autonomy, but less than independence"—has not been in resonance with the ideas of most Contact Group members. Because it is the responsibility of the government to ensure full cooperation with the ICTY, Carla Del Ponte, chief prosecutor of the ICTY, voiced accusations that Serbia was not cooperating in 2006 when it failed to present war criminal suspect General Ratko Mladic (or anyone else)—whether by voluntary surrender or by arrest—to The Hague tribunal. This issue damaged Serbia's coming to terms with past crimes and stalled EU accession negotiations. Consequently, negotiations on the SAA with the EU were frozen in May and not resumed by the end of 2006. Serbia's NATO integration was also questioned, but the country became a member of the Partnership for Peace in November 2006.

After years of failed efforts, Serbia finally accepted a new Constitution in a referendum organized on October 28 and 29 and promulgated it on November 8, 2006. It represents an improvement over the Constitution of 1990 that was enacted by the regime of Slobodan Milosevic. The new Constitution and its provisions were the result of political compromise of the major political parties, achieved behind closed doors and without any public debate. This prompted some political parties and nongovernmental organizations (NGOs) to organize an anti-referendum campaign. Some provisions in the field of the judiciary raised EU concerns, but overall its acceptance represents a significant improvement in comparison with the previous Constitution. *Serbia's national democratic governance rating improves from 4.00 to 3.75 as state institutions continued to function during a very difficult year; meriting special commendation for the peaceful resolution of several major challenges, including acceptance of a new Constitution, a referendum in which Montenegro chose independence and the State Union was dissolved, a change in the government, and negotiations for holding parliamentary elections.*

Electoral Process. The most important electoral event in 2006 was the two-day referendum on the new Constitution. Most foreign observers had no significant complaints, but control over voting was lower than in the previous parliamentary elections. Another important accomplishment was the successful negotiation on the date of the next parliamentary elections, which were scheduled for January 21, 2007. They were organized in accordance with the new electoral law that enabled better representation of women and national minorities and in an atmosphere with less tension than the previous elections in 2003. In the Parliament, two disputed cases over replacing parliamentarians occurred. *Despite some ballot box disputes during the constitutional referendum, an overall clarity of process in accord with the new electoral law holds Serbia's electoral process rating at 3.25.*

Civil Society. No legislation on NGOs was enacted in 2006, an ombudsperson was still not appointed, trade unions remained insignificant actors, and only universities were able to pursue important reforms that should adjust Serbia's educa-

tional system to the Bologna process. Some NGOs joined the four political parties boycotting the referendum and actively campaigned against the new Constitution, provoked by its content and the lack of public debate during the referendum process. Critics suggest this may have a detrimental effect on the level of support for their work in Serbia. Yet civil society remains the strongest category in Serbia. *Serbia's civil society rating remains at 2.75.*

Independent Media. The Republic Broadcasting Agency allocated national frequencies in April 2006 in a process burdened with many procedural shortcomings and arbitrary decisions. BK TV was banned in a spectacular nighttime police action on April 26. The Law on Broadcasting was amended in October. These changes were criticized for their lack of public debate and procedural errors. The process of transforming the Radio Television of Serbia into a public service broadcaster is a step forward, but the appointment procedure for board members was contested. Overall, 2006 saw effort to implement important regulations on the distribution of frequencies and to end chaos in the digital media arena, but this effort itself proved to be somewhat chaotic. *Owing to the year's lost opportunities for improvement, Serbia's independent media rating worsens slightly from 3.25 to 3.50.*

Local Democratic Governance. The new Constitution has not laid groundwork for the regionalization of Serbia. Instead, the country remains administratively divided into very small municipal units. The northern province of Vojvodina retains some level of legislative and financial autonomy. A new Law on Financing Local Self-Government was enacted in July 2006 to diversify sources of income and provide greater financial autonomy to municipalities. Minority rights have a much higher priority in the new Constitution, which is expected to enable better implementation on the local level. *Although expectations are raised for future improvement pending results from the newly passed financing law and constitutional support for minority rights, Serbia's local democratic governance rating remains at 3.75.*

Judicial Framework and Independence. It is doubtful whether the new High Judicial Council, stipulated in the new Constitution and scheduled for appointment in 2007, will be able to sufficiently guarantee an independent judiciary. The Constitutional Court became nonfunctioning on October 10 when its president was retired and a new one was not appointed. This situation will continue into 2007 and has left a very dangerous vacuum with no ongoing evaluation of the constitutionality of government decisions. *Although new constitutional provisions raise concern for future judicial independence, Serbia's judicial framework and independence rating remains at 4.25.*

Corruption. Corruption remains a serious problem in Serbia. In 2006, the Serbian government issued charges of tax evasion against high-profile oligarch Bogoljub Karic. The motive behind the charge remains unclear: some view it as evidence that

the government is cracking down on corruption and others view it as politically motivated because during 2006 Karic became more politically active and popular. High state officials, including judges, were prosecuted for corruption, and action taken against “the bankruptcy mafia” was the first significant state act to reduce corruption in the privatization of formerly state-owned property. New forms for justifying campaign collections and expenditures by political parties are a welcome step. *Owing to the number and effectiveness of anticorruption efforts conducted by the government, Serbia’s corruption rating improves from 4.75 to 4.50.*

Outlook for 2007. Owing to Serbia’s relatively stable economic situation the victory of pro-democratic parties in January 2007 is anticipated and, although some experts disagree, a new government is likely to be formed from the ranks of the Democratic Party, the Democratic Party of Serbia, and G17plus. The new government will continue to be committed to Euro-Atlantic integration. The leaders of the Democratic Party have promised that solving the question of ICTY indicted General Mladic will be their top priority. This could lead to an acceleration of Serbia’s negotiations with both the EU and NATO. The resolution of the status of Kosovo could create tensions among future coalition partners but is not likely to destabilize the situation in Serbia in the long run. However, it could influence the outcome of the presidential elections that will take place in the second half of 2007. In the economy, further gross domestic product (GDP) growth is expected.

MAIN REPORT

National Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007
Y u g o s l a v i a				n/a	4.00	4.00	3.75

Replacing the Federal Republic of Yugoslavia, the State Union of Serbia and Montenegro was created on February 4, 2003, which kept Serbia and Montenegro together in a highly decentralized but confederation of two states under a deal brokered by the European Union (EU). Although both sides signed the Belgrade Agreement, the Union did not resolve mutual tensions between the national entities. This formation provided very few joint competences (limited mostly to foreign affairs and defense) but without a common currency or common market. The Belgrade Agreement and Constitutional Charter provided for the withdrawal of either state (or both) from the union following the expiration of a three-year period and a referendum. In 2005 Montenegro's prime minister, Milo Djukanovic, gave voice to public interest in holding a referendum on whether it would remain in the State Union or seek independence. Under pressure from the EU, the dates of the referendum were postponed several times.

Serbia's mainstream political parties showed a strong motivation to preserve the State Union owing to the large Serb population living in Montenegro. The November 2003 census showed 32 percent declared Serbs in comparison with 9.3 percent in 1991 and 3.3 percent in 1981. No ethnic groups in Montenegro had an absolute majority although Montenegrins now represent 43.2 percent of the population. In Montenegro's capital, Podgorica, ethnic Serbs rose from 8 percent in 1991 to 25 percent in 2003. Those who identified themselves as Serbs were strongly in favor of preserving the State Union and voted for pro-unionist parties in the 1998 and 2002 elections.³ The fact that there were almost 200,000 Serbs in Montenegro encouraged many political groups and parties in Serbia to campaign strongly for the preservation of the State Union. Pro-unionists received support from Serbian citizens of Montenegrin origin, who set up several associations to support State Union preservation. Support also came from the Democratic Party of Serbia and its president, Vojislav Kostunica, and the Serbian Radical Party, while the Democratic Party was also pro-unionist, although with less enthusiasm.

Tensions had begun to rise since June 2005, when the Serbian prime minister took the list of residents of Serbia with Montenegrin citizenship to Brussels to show that their numbers were higher than 260,000. Each citizen of the State Union also had citizenship in one of its constituent republics, so the fact that 260,000 inhabitants of Serbia had Montenegrin citizenship would not have legal consequences as long as the State Union existed. However, with its disappearance, these 260,000 would be deprived of certain rights in Serbia, such as working in state

bodies. Belgrade demanded that they should be given the right to vote in Montenegro. However, one of the leading parties of the governing coalition in Serbia, G17plus, insisted that an independent Montenegro was a much better solution for Serbia, since a dysfunctional State Union would slow down the pace of reforms and Euro-Atlantic integration.

Although residents of Serbia with Montenegrin citizenship did not get the right to vote in the Montenegrin referendum, there still were several thousand who were officially registered as residents in Montenegro with voting rights there. Therefore, in Serbia many steps were taken by the government and pro-unionist associations to influence those Montenegrins living in Serbia with a right to vote in Montenegro to vote in favor of the State Union. The minister of education warned that around 10,000 Montenegrin students studying in Serbia would lose their tuition in the case of independence and would later have to pay much higher tuition fees.⁴

Finally, the referendum was held on May 21, 2006, and 55.5 percent voted in favor of Montenegro's independence, just 0.5 percent more than was necessary according to the Law on Referendum. Serbia recognized the new state on June 15, 2006, and the two countries began to cooperate. President Boris Tadic was the first Serbian official to congratulate Montenegro for its independence on June 3 and was the first head of state to visit Montenegro as an independent country on June 27. As stipulated previously by the Constitutional Charter of the State Union, Serbia inherited the international legal identity of Serbia and Montenegro.

Serbia's Constitution, in force until 2006, was enacted in March 1990 by the Serbian Parliament before the first multiparty elections in December 1990 and was accepted by members of Parliament (MPs) elected during Socialism. In order to pass the new Constitution, pro-democratic elites had to make a compromise to satisfy the provision for a two-thirds majority in the Parliament, reaching a consensus with two parties from the era of Slobodan Milosevic—the leading opposition Serbian Radical Party and the various factions of the Socialist Party of Serbia. These two parties constitute more than 40 percent of all MPs. Without their support, there could be no sufficient majority in the Parliament. Originally, there were two proposals for a new Constitution: one prepared by the Serbian government and another prepared by the president.

The Serbian Radical Party argued that Kosovo should be as strongly connected to Serbia in the new Constitution as possible. The statement “The Province of Kosovo and Metohia is an integral part of the territory of Serbia” was included in the preamble of the Constitution.⁵ From this definition follows constitutional obligations of all state bodies to “uphold and protect the state interests of Serbia in Kosovo and Metohia in all internal and foreign political relations.” Even more important is the stipulation that the president of Serbia during inauguration must give the following oath: “I do solemnly swear that I will devote all my efforts to preserve the sovereignty and integrity of the territory of the Republic of Serbia, including Kosovo and Metohia as its constituent part” (Article 114). As a result, the president is now constitutionally obliged not to sign any agreement that would recognize Serbia's loss of sovereignty over Kosovo.

The new Constitution has brought significant advancements over the 1990 document but has also raised serious objections from the European Commission, some political parties and NGOs. Human and minority freedoms and rights are covered by 64 articles, or almost one-third of the Constitution, which promotes equal opportunities in terms of gender (Article 15), bans any discrimination and introduces the concept of affirmative action (Article 23, Section 3), encourages diversity (Article 47), permits conscientious objection (Article 45), and provides freedom of access to information (Article 51). A new provision introduces a constitutional appeal (Article 170) as a final means to protect human and minority rights.

Serbia is defined as a market economy. New constitutional articles in this area promote entrepreneurship and consumer rights and allow foreign citizens to own property. It is important to note that the new Constitution finally eliminates so-called social property, a peculiar form of state property without clear ownership instituted by Yugoslav Marxists in the 1950s.

The positions of the Parliament, government, and president have not changed substantially in comparison with the previous Constitution, but a new body—defender of citizens, or ombudsperson—was established in Article 138 of the new document. In terms of the army, Article 141 allows for democratic and civil control. This is a soft Constitution with regard to the procedures for how it can be changed. For the majority of articles and future amendments, a two-thirds majority vote by MPs is the only requirement (Article 203). This could be very important in the process of harmonizing Serbia with the EU's *acquis communautaire*.

A coalition of some political parties and NGOs criticized the contents of the new Constitution and the referendum process. The lack of public debate and “behind closed doors” nature of the document’s drafting raised serious objections from NGOs and prominent intellectuals. Several provisions raised controversy, especially the preamble. Article 1 was also heavily criticized for stipulating that “the Republic of Serbia is a state of Serbian people and all citizens who live in it....” Some experts considered this a step backward from the 1990 Constitution, which mentions only “citizens.” Other criticisms include the level of autonomy of the northern Serbian Autonomous Province of Vojvodina and the absence of a European clause enabling the priority of EU regulations over national laws.

Even so, the EU has made an overall positive assessment of the new Serbian Constitution, stating, “The adoption of a new Constitution is a welcome development.” Still, the EU had some objections, especially “the lack of objective mechanisms free of political influence to appoint, promote, and dismiss judges and prosecutors; the political party’s control over parliamentary mandates; the scope of territorial decentralization; and the ambiguous relationship between domestic law and international law.”⁶ Overall, the new Constitution is undoubtedly a step forward and contains more liberal provisions than the previous Constitution.

Serbian democratic leaders insisted during the anti-Milosevic political campaign in 2000 that as soon as a democratic government had been established in Serbia, the Kosovo question would be resolved in Serbia’s interests. In the meantime, with minor exceptions, Serbian politicians have not prepared the electorate for the

possible independence of Kosovo and have become prisoners of their own promises from 2000.

However, the international community attempted to resolve this question in 2006 by organizing negotiations between Belgrade and Pristina supervised by the UN. The Serbian negotiation team adopted guidelines for its future work entitled Platform of the State Negotiation Team on the Future Status of Kosovo and Metohia, adopted on January 5, 2006. It obliges the negotiation team to advocate “essential autonomy within Serbia and the State Union of Serbia and Montenegro.” In Prime Minister Kostunica’s address to the National Assembly of Serbia on September 12, 2006, he placed Kosovo at the top of the political agenda and affirmed that the Democratic Party of Serbia would oppose any solution that separated Kosovo from Serbia. Other Serbian parliamentary political parties agreed with that position. Public opinion polls, however, such as those by polling company Strategic Marketing suggest that citizens were more concerned with issues such as economic-well-being than the status of Kosovo.

All mainstream political parties insisted on the official Kosovo formula of “more than autonomy, but less than independence,” and in this sense 2006 did not bring significant changes to the dominant political discourse, although the media were much more realistic than politicians. In particular, the moderately pro-government *Politika* took a more balanced and analytical position. Citizens also seem to be more realistic than politicians. A series of polls conducted by Strategic Marketing in the first seven months of 2006 demonstrated that about one-quarter of Serbia’s citizens considered full integration with Serbia as the best solution for the future status of Kosovo, one-third considered autonomy the best solution, around 22 percent favored the division of Kosovo, around 4 percent supported independence with cantonization, and around 6 percent advocated full independence. However, when asked what would be the most realistic outcome, citizens gave the following assessments: 7 percent predicted full integration with Serbia, 16 percent said an autonomous Kosovo, 22 percent said autonomy within Serbia, 28 percent said full independence for Kosovo, and 12 percent said independence with cantonization.⁷

Negotiations on the final status of Kosovo began in Vienna on February 20, 2006, under the auspices of UN envoy and former president of Finland Martti Ahtisaari. Several rounds of negotiations failed to produce any clear results by September 2006, or, as the EU progress report noted, “limited progress has been achieved.”⁸ Remarks made by Ahtisaari linking ethnic cleansing in Kosovo under Serbia’s Milosevic regime with the unlikelihood of it remaining under control of Belgrade, radicalized officials in Belgrade. Prime Minister Kostunica said on August 29 that the Serbian government and the entire Serbian negotiating team will “systematically and daily implement a diplomatic action in order to acquaint all important international factors with the grave prejudices that Martti Ahtisaari has about the Serbian people.”⁹ By the end of 2006, the Serbian government maintained that it would not accept Kosovo’s independence, even with UN approval. The dissatisfaction of Western governments with the position of the Serbian negotiation team

was voiced clearly in an address by the outgoing British ambassador in Serbia at the beginning of September, stating, “To date, the negotiating team from Belgrade has not demonstrated that it has a genuine will to see Kosovo’s problem resolved.”¹⁰

There was much enthusiasm in Serbia regarding the Stabilization and Association Agreement with the EU, which the government began negotiating on October 10, 2005, and expected to be completed in 2006. The negotiations initially progressed very quickly but were colored by the lack of cooperation with the International Criminal Tribunal for the Former Yugoslavia. The report of Chief Prosecutor Carla Del Ponte was anticipated in Belgrade, and indeed it was quite unfavorable. Del Ponte stated on May 3 that the Serbian prime minister had “deceived” her, and she called the search for General Mladic by Serbian authorities “unprofessional,” claiming they had known only 10 days earlier of Mladic’s exact location and that he was in Belgrade.¹¹

Consequently, the European Commission decided to postpone negotiations with Serbia on May 3, 2006, owing to Serbia’s non-cooperation with the ICTY, and negotiations have remained on hold subsequently. European Commissioner Olli Rehn did acknowledge that the negotiations had progressed very well and that the Belgrade team was well prepared in a technical sense. However, in addition to non-cooperation with the ICTY, he expressed dissatisfaction with the reform of the Serbian security services, particularly military intelligence services. After the announcement of the suspension of talks, Serbian vice premier Miroљub Labus, who was in charge of EU integration, resigned, stating, “The Serbian government has promised something as a government, and they have failed. I had to react to this.”¹² His resignation led to a split in his G17plus party, from which Minister of Finance Mladjan Dinkic fully benefited by taking control of the party and becoming its president. Dinkic decided on May 13 to stay in the government but announced that ministers from G17plus would resign on October 1, should negotiations with the EU not be renewed by that time.

By the end of 2006 the EU had not renewed negotiations on the SAA. In this sense, 2006 was another lost year for Serbia in terms of EU integration. Still, the country continued to receive pre-accession financial assistance from the EU during the year amounting to €167 million (US\$224.6 million).

After the end of the State Union, the National Council for Cooperation with the ICTY became a Serbian body, which significantly improved cooperation regarding waivers for witnesses and access to documents. However, the agency failed to achieve the most important task of locating and arresting ICTY-indicted General Mladic. Later, in July, the Serbian government adopted the Action Plan on Cooperation with the ICTY. By the end of the year, six persons located in Serbia were wanted by the ICTY, yet the Serbian government failed to hand them over to The Hague tribunal.

Serbian cooperation with the ICTY was impacted by two events in March 2006. A former leader of Croatian Serbs, Milan Babic, committed suicide in his cell in The Hague on March 6. Five days later, Slobodan Milosevic died in a prison cell of The Hague tribunal. Milosevic’s party, lawyers, and some media presented

his death as a result of poisoning by The Hague tribunal, a theory that was rejected by the autopsy and toxicology tests conducted by a group of Western doctors and supervised by doctors from Russia and Serbia. Thousands of people gathered for his burial in Pozarevac, his home town, and his commemoration in Belgrade.

Insufficient cooperation with the ICTY also blocked Serbia's prospects to become a member of the Partnership for Peace. Thus, Serbia and Bosnia and Herzegovina remained the only two countries from the western Balkans outside of the Partnership for Peace. Efforts made by the Serbian Ministries of Defense and Foreign Affairs, and particularly by the president, proved to be successful, and Serbia (backed at the last moment by the United States) was invited together with Bosnia and Herzegovina and Montenegro to join the Partnership for Peace at the NATO summit in Riga on November 29, 2006.

Cohabitation between President Tadic and Prime Minister Kostunica continued during 2006. With appointments to the Serbian negotiation team on Kosovo consisting of advisers and close associates of the president and prime minister, the space for open conflicts was reduced and the impression of satisfactory cohabitation was maintained.

Serbia's greatest advancements in 2006 were in the economic sector. The European Bank for Reconstruction and Development estimated that Serbia's GDP growth in 2006 would reach 6.7 percent, which would give Serbia the highest GDP growth of any country in Southeast Europe.¹³ For the first time during transition, inflation was below 10 percent in 2006. The level of foreign direct investments reached a record US\$4 billion during the year, almost triple that of 2005.¹⁴ However, this was achieved partially by an exchange rate strongly in favor of Serbia's domestic currency, the dinar. The level of employment increased from September 2005 to April 2006 by 2 percent, or 53,360 jobs.

On December 19, 2006, the Serbian minister of trade signed the Central European Free Trade Agreement (CEFTA) in Bucharest. This serves as a preparatory phase that should make the economies of the western Balkans more competitive in the EU market. However, this agreement must be ratified by the Serbian Parliament. Influential tobacco factories in Serbia, in particular Philip Morris, protested CEFTA since it would violate conditions agreed upon with the Serbian government when the companies bought local factories.¹⁵

Electoral Process

1999	2001	2002	2003	2004	2005	2006	2007
Y u g o s l a v i a				3.50	3.25	3.25	3.25

The most important electoral event in 2006 was the constitutional referendum and negotiations on the date of new parliamentary elections. The 1990 Constitution was a hard Constitution in terms of the rules for changing it. A two-thirds majority

of all MPs was required, as was a referendum with a 50 percent majority of registered voters. The latter requirement has been a particularly difficult provision and is one of the reasons the enactment of a new Constitution had been such a difficult task since 2000. Three votes for the election of the Serbian president failed in 2002 and 2003 because of this requirement. Registered voters include up to 20 percent of those who live abroad and have not reregistered to vote abroad, and a significant number have changed addresses and not reregistered in their new municipalities. In reality, the provision for 50 percent of voters means more than two-thirds of those who can vote. There has also been a lack of consensus between pro-democratic parties and parties of the former regime and among pro-democratic parties themselves.

In the 2003 elections, the leader of the Democratic Party of Serbia, Vojislav Kostunica, made the enactment of a new Constitution his chief promise. Kostunica prepared a draft of the new Constitution within several weeks of potentially losing his parliamentary majority when G17plus threatened to step down and demanded renewed EU negotiations as a precondition for their continued participation in the government. It had to be proposed by September 2006, since the October 1 resignation of his coalition partner had previously been announced.

In order for the Constitution to be passed, 50 percent of registered voters was needed in order for the referendum to be considered valid. Given that Kosovo is administered by the UN, it was highly unlikely that Kosovar Albanians would vote. Since Albanian voters were already erased from the lists of registered voters during the presidential elections in 2004, this was repeated during the constitutional referendum, but Kosovo Serbs (some 100,00 people) remained on the lists of registered voters.

The draft Constitution got plebiscitary support in the Parliament. All 242 MPs who were present at the session voted in favor of it, and only 2 MPs refused to take part in the vote. The referendum was held on October 28 and 29. Turnout was low on the first day (17 percent) and high on the second day (38 percent)—in the end 55 percent of registered voters voted, and 53 percent voted in favor of the draft Constitution.

One opposition party, the Liberal-Democratic Party, was the most vocal element of the anti-referendum coalition and made numerous objections. There were complaints that in some polling places voters were allowed to vote also on behalf of their absent relatives, and technical procedures were not respected in several places.¹⁶ The leading Serbian NGO for monitoring elections, the Center for Free Elections and Democracy (CeSID), observed some of the polling stations and noted a few irregularities. According to their assessment, these irregularities were minor and could not have affected the final result.¹⁷ A delegation of Council of Europe observers concluded that the referendum was “in general, conducted with due respect for Serbia’s democratic commitments to the Council of Europe.”¹⁸ EU High Representative for the Common Foreign and Security Policy Javier Solana congratulated Serbia on October 30 “for the orderly conduct of the referendum.”¹⁹

After the successful referendum for the ratification of the new Constitution, the enactment of a constitutional Law for the Implementation of the Constitution was required. Since a two-thirds majority was needed for this, as well, the Serbian Radical Party forced other parties to accept provisions that would effectively bar any parliamentary elections in 2006. Finally, a compromise was reached. The Law for the Implementation of the Constitution was accepted on November 10 with 210 votes in favor and 22 against, and President Tadic called parliamentary elections for January 21, 2007.

During 2006, the disputed practice of enforcing “enveloped resignations” occurred in the Serbian Parliament. As shown in the following chart, 30 MPs were in different parliamentary groups at the end of the Serbian National Assembly’s tenure in November 2006 as compared with January 2004; however, support for the government dropped by only 2 MPs. This means that some MPs were allowed to change their parliamentary groups and parties provided they continued to support the government. Those who wished to leave their parties to join opposition ranks were not allowed to do so. This was achieved through decisions by the Administrative Committee of Parliament that were almost always made to protect the necessary majority in favor of the governing coalition. For instance, when nine MPs left the Serbian Renewal Movement, they kept their mandates since they continued to support the government.

Parliamentary Group	Situation in January 2004	Situation at the End of 2006
Governing Coalition		
Democratic Party of Serbia	53	53
G17plus	34	31
Serbian Renewal Movement and New Serbia	22	0
New Serbia and Independent MPs 9 + 9	0	17
Not belonging to any parliamentary group	0	6
Supporter of the Governing Coalition		
Socialist Party of Serbia	22	22
TOTAL of Pro-Government Votes	131	129
Opposition		
Serbian Radical Party	82	80
Democratic Party—Boris Tadic	37	34
Not belonging to any parliamentary group	0	7
TOTAL	119	121

On May 16, 2006, the Administrative Committee unanimously decided that the mandates of two MPs from G17plus, Ksenija Milivojevic and Goran Paunovic, had been terminated by their resignation. However, these two MPs had signed the so-called enveloped resignations to their party when they became MPs. These instruments were signed by virtually all MPs after their election to the Parliament and were kept by party leadership to be opened in just such cases. The legality of such “resignations” was dubious considering that the Serbian Constitutional Court had decided on May 27, 2003, that mandates belonged to MPs and not to their parties.²⁰ In response, the involved political parties claimed that the MPs voluntarily signed resignations and therefore were not protected by the decision of the Constitutional Court. This was a very peculiar interpretation of the Court’s decision. (The new Constitution allows parties to take mandates from dissenting MPs in the future.) On a related note, the Democratic Party continued its boycott of Parliament in response to the Administrative Committee decision allowing two deputies from Bosniak minority parties to keep their mandates after leaving the Democratic Party.

According to Media Gallup International, the Serbian Radical Party reached an unprecedented 40 percent level of support in May 2006.²¹ Its level of support dropped to 35 percent in September, while the leading party of the Democratic bloc, the Democratic Party, had 23 percent. Results from CeSID from the same period demonstrated the same level of support for both parties at around 30 percent. Support for the Democratic Party of Serbia was slightly over 10 percent.²²

The next parliamentary elections were scheduled for January 21, 2007. Elections are held according to legislation amended in February 2004 and are proportional with a minimal threshold of 5 percent. Parties of national minorities have no threshold and can win an MP with 0.4 percent of votes. Amendments to the legislation require all parties to have 30 percent women on their electoral lists, although parties are not obliged to follow an equal percentage when appointing MPs from those same lists. The Serbian Parliament had only 12 percent women, or 30 MPs, from 2003 to 2006. The only party that had significant representation of women was G17plus with 32 percent, while there were some parties without a single female MP.

Civil Society

1999	2001	2002	2003	2004	2005	2006	2007
Y u g o s l a v i a				2.75	2.75	2.75	2.75

Serbia does not yet have a law on NGOs. Instead, provisions of the Socialist Yugoslav Law on Associations of Citizens and Political Organizations from July 1990 are still used as a legal framework. This is considered by many NGOs and international organizations to be intentional neglect by the government. Serbia is the only former Yugoslav state without an NGO law. The draft Law on Associations

from November 2005 was not enacted by the Serbian Parliament until the end of its tenure in November 2006.

The total number of NGOs in Serbia was estimated to be around 25,000 in 2006, but a number of active NGOs could not be properly assessed. Half of these associations deal with sports.²³ A survey by CeSID from April 2005 revealed that 11 percent of Serbian citizens could identify with NGOs, but only one-quarter of those respondents were active members. This means that only up to 3 percent of Serbians participate actively in NGOs. In spite of this, the civil sector has been quite visible and active in Serbia.

NGOs throughout Serbia were active in 2006. One of the most divisive and visible events within civil society during the year was the campaign to boycott the constitutional referendum. Twenty NGOs came together to support the boycott of the constitutional referendum believing that it was the result of too much compromise of democratic guarantees. Reasons cited for the boycott included the behind-closed-doors nature of the Constitution's drafting, which occurred without any public debate, and also by the concessions pro-democratic parties made to the Serbian Radical Party. On October 13, the 20 NGOs sent an open letter to the chief of the OSCE mission in Serbia, Hans Ola Urstad, protesting that the OSCE did not support the boycott of the referendum.

A Serbian expert on civil society, Professor Vukasin Pavlovic, stated that he thinks the prospects for civil society development in Serbia are enormous but expressed concern that the boycott may have been a mistake and could decrease the already low public support for NGOs.²⁴ A survey conducted by the Center for Political Studies and Public Opinion Research demonstrated that in 2003 and 2004, only 24 percent of the Serbian population had a favorable opinion of NGOs, while twice as many citizens had a negative opinion.²⁵ A survey conducted by CeSID in April 2005 indicated that around 50 percent of respondents had no confidence in NGOs and trade unions and only 9 percent had full confidence in them, while 25 percent had partial confidence.²⁶ Of all civic organizations, the Serbian Orthodox Church has traditionally been the most popular and has the best reputation. In August 2006, around half of the country's population (47.8 percent) had the highest confidence in the church as an institution, compared with 22 percent who had the highest confidence in the president and only 5 percent who had the highest confidence in the government.²⁷

During 2006, several racially motivated incidents and demonstrations of extremism took place in which there were attacks against the Roma, and other ethnic minorities. The most notorious was on October 14 in Cacak, where Borac football fans wore Ku Klux Klan hoods at their stadium and shouted Nazi slogans at a black player from Zimbabwe. The reaction of the police was quick and efficient. Eight perpetrators were detained, 19 were interrogated by the local police, and all local political parties and the mayor condemned the incident.²⁸ However, the government reacted less clearly during the year in response to other demonstrations of extremism. In November 2005 at the Faculty of Philosophy in Novi Sad a violent interruption of a book-review took place. It was organized by the Serbian branch

of neo-Nazi international association Stormfront White Nationalist Community headed by Goran Davidovic, who is nicknamed *fürher*. In December 2005, 15 members of the Serbian Stormfront were detained.²⁹ Legal epilogue took place in November 2006 when Davidovic was sentenced to one year in prison, and four more members of Stormfront were sentenced to shorter terms while nine members were sentenced to a suspended sentence.³⁰

Trade unions did not take any significant action during 2006, and their influence remains low. The CeSID survey demonstrated that only 3 percent of respondents perceived themselves as active members of trade unions. A relatively high level of unemployment (real unemployment in Serbia is around 30 percent) is an unfavorable background for the work of trade unions, since the number of job seekers is extremely high. From September 2001 to April 2006, the general level of employment decreased by 7 percent. In the public sector, the decrease was much higher at 31 percent.³¹

A new law enacted in August 2005 was implemented in 2006 in the field of higher education. All state faculties have reformed their curriculums to accommodate the Bologna process, including the European credit transfer system. A new system of higher education with bachelor's, master's, and PhD degrees has been implemented. Some private faculties implemented this system even earlier. Almost all studies have one-semester courses, and new, more modern, and fairer criteria for assessing students are also to be implemented.

However, state and private universities have come to debate how to transfer old diplomas into the new degrees. The most disputed issue was whether holders of diplomas of former "basic studies" should be automatically given master's degrees since their studies lasted four to five years. In November 2006, student protests began at the Faculty of Philosophy of the University of Belgrade and spread to other faculties. Students rebelled against tuitions that are very high in comparison with average salaries. There was a clear political tendency within this movement prompted by difficult social conditions. One of the posters read, "Why should we care about a visa-free regime with Europe if we cannot afford to travel?"

Although the Law on the Civic Defender (ombudsperson) was enacted in September 2005, an ombudsperson at the national level had not yet been appointed by the end of 2006. The new Constitution introduced the ombudsperson as a constitutional category, so the first Serbian ombudsperson can be expected in 2007. Municipalities have an option to appoint municipal ombudspersons, which some of them have done. The first civic defender of the city of Belgrade was appointed in September 2006. In Vojvodina, the Office of the Ombudsperson has existed since September 2003 with an ombudsperson and four deputies.

The right to own property is not adequately regulated, since Serbia is the only ex-Communist country in the Balkans that has not enacted legislation on restitution of property nationalized during Communism. Several drafts of this law have been prepared, and most democratic parties promised to enact a law during the parliamentary election campaigns in 2000 and 2003.³² Citizens had a deadline to register their nationalized property until June 30, 2006. Those citizens who had not

registered property by this date would automatically lose their right to restitution once the new law was enacted. It is questionable if this provision is constitutionally sound, and associations for property rights have initiated proceedings before the Constitutional Court of Serbia. Associations for property rights were very active in 2006 and were given much better publicity by media than previously.

Restitution has been initiated in at least one sector. In May 2006, the Serbian Parliament enacted the Law on Restitution of Property of Churches and Religious Communities, which came into effect on October 1, 2006. It allows religious communities to reclaim property nationalized after 1945. Restitution has priority; however in cases where that is impossible, compensation will be implemented. This law stipulates that a Directorate for Restitution will be established.³³

The Law on Exoneration was enacted in April 2006 to exonerate persons who were executed or deprived of freedom for ideological reasons after April 1941.³⁴ The first decisions on exoneration were brought in November 2006.

Independent Media

1999	2001	2002	2003	2004	2005	2006	2007
Y	u	g	o	s	l	a	v
				3.50	3.25	3.25	3.50

On April 19, 2006, the Republic Broadcasting Agency (RBA) ruled on the distribution of national frequencies in Serbia. This was an effort to regulate existing chaos in the digital media arena. The RBA estimated that there were 755 broadcasters in Serbia in 2006 and allocated national frequencies to the following five stations and television groups: Avala, B92, Happy TV and TV Kosava, TV Pink, and FOX TV. Two national frequencies automatically belong to the first and second channels of the Radio Television of Serbia (RTS). This decision produced an outburst of protests. Two of these television stations did not have any programs in Serbia before the tender (Avala and FOX TV); one is known for commercial content (TV Pink); and one is known for broadcasting erotic movies (TV Kosava). The minister of information, Dragan Kojadinovic, called the decision “scandalous,” but the government refused to question the RBA. Both the Independent Association of Journalists of Serbia and the Association of Journalists of Serbia condemned the decision as violating the public interest. The Organization for Security and Cooperation in Europe (OSCE) qualified the whole process conducted by the RBA as “plagued by fundamental weaknesses, deliberate disregard of the law, and arbitrary decision making.”³⁵

The main loser in this competition was BK TV, owned by Serbian tycoon Bogoljub Karic (recipient of the only license to operate mobile telephones during the Milosevic era), who in February left Serbia to avoid arrest on charges of massive tax evasion. BK TV was banned from broadcasting in April on charges that it misused its frequencies to propagate the political interests of its owner. No independent

analyst has challenged these allegations, but some condemned how the BK TV frequency was shut down by special police forces in a spectacular nighttime action on April 26.

RTS has remained the most watched outlet, followed by Pink. RTS prime-time news attracted 17 percent of viewers in November 2006, compared with 8 percent for B92 and 6.6 percent for Pink.³⁶ In 2006, liberal B92 reached the highest number of viewers in its history owing to the decision to broadcast the *Big Brother* show. This has, however, challenged the channel's reputation among the liberal intelligentsia. TV stations remain the most influential mass media, as 91 percent of the population watches television daily compared with 62 percent who listen to radio and 29 percent who read newspapers every day and only 5 percent of the population who read magazines every day.³⁷ National radio frequencies were also allocated by the RBA to the following stations: B92, Radio Index, Radio S, Radio Fokus, and Roadstar Radio. Allocation of the national frequency to Radio Index has been seen by many as a conflict of interest since several members of the RBA had been previously associated with Radio Index.

In terms of print media, tabloids still have the highest circulation. They are headed by the soft tabloid, pro-government *Vecernje Novosti* and independent *Blic*, followed by the hard-core tabloids *Kurir* and *Press*. In the field of quality dailies, the moderately pro-government *Politika* is without competition, while the liberal *Danas*, the provincial Novi Sad *Dnevnik*, and *Privredni Pregled* (an economic paper) have much smaller circulations. All leading newspapers are private with the exception of *Politika* and *Vecernje Novosti*. Privatization of *Vecernje Novosti* was supposed to be resolved during 2006. This leading tabloid was bought by several private companies unknown to the Serbian general public. The leading quality weeklies have remained the conservative *NIN* and liberal *Vreme*.

In July 2006, the Law on Broadcasting was amended by the Parliament, but the president used his right of veto. However, the Parliament voted in favor of the amendments again, and the president was constitutionally obliged to accept them on October 2. These amendments were criticized by the OSCE for their lack of public debate.

According to SEEMO, the situation for journalists in Serbia is worsening due to an increased number of attacks. There were a number of threats and incidents throughout 2006. Several incidents took place during the funeral of Slobodan Milosevic.³⁸ One example was when the premises of TV station SOS were demolished by fans of the Red Star football team on April 11.

Many analysts, journalists, and associations have criticized the transformation of RTS and Radio Television Novi Sad, which became Public Service Broadcasters on January 1, 2006. The appointment of RTS board members was particularly disputed by journalists' associations, which objected to the fact that they were not consulted before the appointment. Taking a broader view, the EU progress report characterized the outlet transformations as one of "the latest positive developments." Reporters Without Borders ranked Serbia 48 out of 168 countries surveyed in their 2006 index, up from 65th place in the 2005 index.³⁹

Local Democratic Governance

1999	2001	2002	2003	2004	2005	2006	2007
Y	u	g	o	s	l	a	v
				i	a		
				n/a	3.75	3.75	3.75

Contrary to promises made by pro-democratic parties, regions have not become a constitutional category. Vojvodina's level of autonomy has also remained the same as in the previous (Milosevic-era) Constitution, contrary to the aspirations of many local NGOs and several regional political parties that advocated for much higher autonomy. The most vocal advocate was the League of Social-Democrats of Vojvodina, which was occasionally supported by the Democratic Party.⁴⁰ The Serbian Radical Party is strong in Vojvodina and has a mayor in its capital, Novi Sad and this party opposes any additional competences for Vojvodina.

Moreover, the minister of finance and leader of G17plus, Mladjan Dinkic, decisively opposed any effort by Vojvodina to have direct taxes under its jurisdiction. The Democratic Party was the only party in the Parliament that advocated greater autonomy, and it succeeded in securing much higher finances for Vojvodina. Article 184 of the new Constitution of Serbia guarantees that the budget of the Autonomous Province of Vojvodina "shall amount to at least 7 percent in relation to the budget of the Republic of Serbia." Reaching a form of compromise, Vojvodina will have the same competences but will receive a much higher level of funding from the state budget. This has not satisfied local pro-autonomy parties but has been fully accepted by the Democratic Party.

Seven articles of the new Constitution cover minority rights. They introduce national minority councils as bodies for the promotion of collective rights of national minorities (Article 75), promote affirmative action in this field (Article 76) and active tolerance (Article 81), and guarantee that employees in state organs and public services reflect the ethnic composition of Serbia. They also ban forceful assimilation (Article 78) and promote specific minority rights (Article 79). The new Constitution permits ties and cooperation with co-nationals outside of Serbia. It also guarantees the right of minorities to use their language in court proceedings and with other state bodies (Article 199). The new constitutional provisions may be a sound foundation for better implementation of minority rights in municipalities where national minorities live.

The new Constitution introduced a disputed provision that states, "The Municipal Assembly shall decide on the election of municipal executive bodies, in accordance with the Law and the Statute" (Article 191, item 4). This means that mayors will be appointed by the Municipal Assembly and not elected through direct elections, as previously. This provision will give political parties greater control over the work of mayors. The previous practice had occasionally led to the total blockade of municipalities in cases where the majority in a local assembly and a mayor came from different political groups. The government took advantage of this situation and enforced many local referendums in 2005 and 2006 for the recall of those mayors who were not from the

ruling coalition. In most of these cases, a coalition of two ruling parties, the Democratic Party of Serbia and New Serbia, was in a position to recall a local mayor and then go on to win elections for the next mayor.

In legal terms, municipalities are governed in accordance with the Law on Local Self-Government enacted in 2002. This law includes the most relevant European standards and ensures wide competences for local municipalities similar to those in other European countries. However, the administrative system of Serbia is still rather centralized, and municipalities need to address ministries in Belgrade for various permissions. Owing to the nature of the system, many competences envisaged by the law have still not been given to local municipalities. The Serbian governments since 2000 have adopted a step-by-step approach in transferring competences to local municipalities.

Still, an important legal framework has been achieved for the better financing of municipalities. In 2005, a draft law was prepared by the Ministries of Finance and Education with the support of the Standing Conferences of Towns and Municipalities (SCTM). This law was enacted by the Parliament in July 2006 as the Law on Financing Local Self-Government. It gives greater financial autonomy to municipalities and provides them with their own sources of income. A detailed analysis of the situation regarding local self-government in Serbia has been prepared by the Fund for an Open Society. It recommends, among other things, the urgent adoption of the Law on Property by Local Self-Government and regulations that would allow greater financial autonomy to municipalities by providing serious sources of income.⁴¹

Judicial Framework and Independence

1999	2001	2002	2003	2004	2005	2006	2007
Y u g o s l a v i a				4.25	4.25	4.25	4.25

Serbia's new Constitution has redefined significant elements of the judicial framework. An important change is that the tenure of judges is no longer unlimited. Every judge must now be elected for a period of three years by the Parliament on the proposal of the High Judicial Council. At the end of the first tenure, the High Judicial Council may appoint the individual to be a permanent judge of the same or a higher court (Article 147). The High Judicial Council is an 11-person body with 3 ex-officio members and 8 members appointed by the Parliament, of whom 6 must be judges, 1 a lawyer, and 1 a law faculty professor (Article 153). The High Judicial Council is defined as "an independent and autonomous body that shall provide for and guarantee the independence and autonomy of courts and judges" (Article 153). It is questionable whether a body selected from government officials and its parliamentary majority can be independent and autonomous. The EU progress report alluded to this when it stipulated that "the new Constitution presents some areas of concern, notably the

lack of objective mechanisms free of political influence to appoint, promote, and dismiss judges and prosecutors.⁴²

The Constitutional Court of Serbia, a nine-person body, has been very nearly obstructed since 2005 when the court president, Slobodan Vucetic, warned that the Court had only six judges and every decision would need a total majority vote. According to the Constitution of 1990, the head of state was in charge of nominations and the Parliament was in charge of confirmations. Since the parliamentary majority and the president belonged to different political parties, this made the process difficult. Out of two nominations made by President Tadic, the Parliament accepted only one in November 2005. In October 2006, the president of the Court had to retire owing to age and had earlier announced that the Court would be without its president and with only five judges after October 10.⁴³

This incapacitated the Court, which could not be in session without its president. Since the Parliament worked until November 10, Serbia found itself in a position where the old Constitutional Court could not have sessions and the new one could be appointed only after the parliamentary elections in late January 2007. This left the country *de facto* without an operative Constitutional Court for several months, which means there was no judicial authority that could evaluate whether certain government acts were constitutional during that period.

In January 2006, the Department for the Suppression of General Organized Crime was established. However, an important element of the new strategy—the witness protection program—was challenged. The body of Zoran Vukojevic Vuk, a protected witness in the court proceedings against the suspected murderers of Serbian prime minister Zoran Djindjic, was found on June 3, 2006. A day earlier, a member of the so-called Zemun gang was killed. The Zemun Gang was the leading narcotics gang in Serbia until 2003 and was involved in the murder of Prime Minister Djindjic. According to the Law on Witness Protection, a protected witness can accept or refuse physical protection by the state. Vukojevic refused it and was killed, which revealed a deficiency in the current law and police effectiveness at protecting him irrespective of his decision to forego their program. A notable moment in the trial was the resignation of judge Marko Kljajevic in September 2006. After cutting all ties with other colleagues at the Special Court for a month, Kljajevic resigned with the explanation that the “pressure” that others were placing on him was too much for him to bear. This four year trial case was not resolved by the end of 2006.

The new criminal procedure code was accepted in 2006 and will come fully into effect on June 1, 2007, although several articles were implemented immediately. The code strengthens the role of the prosecutor in the investigative phase, and police have more powers in criminal proceedings. Prosecution of organized crime received special attention. Now the temporary seizure of assets, revenues, and properties is allowed.⁴⁴

Corruption

1999	2001	2002	2003	2004	2005	2006	2007
Y u g o s l a v i a				5.00	5.00	4.75	4.50

The most important action in the field of anticorruption was an effort conducted by the state to analyze operations of Mobtel, the leading Serbian mobile communications operator. Ownership of this company was in dispute since 2000; Bogoljub Karic, Serbian tycoon and president of Mobtel, and the Serbian state both claimed to have majority shares. In June 2004, a government committee concluded that state shares should be 58.76 percent of the company. However, BK Trade, Karic's company, officially had a 51 percent holding. During 2004, serious allegations appeared that Karic used so-called connected companies run by his daughters to manipulate figures on the profit of Mobtel. He presented the company as being without any profit, so although the state had at least 49 percent of the shares, it received no income from the company at all.⁴⁵ This dispute with the state was prompted by the political ambitions of Karic, who had established his own party, the Movement of Forces of Serbia, with an eye on becoming prime minister. The Karic case has been seen as the government getting serious about corruption, which is commendable. However, there are questions as to the political motivation behind the decisions, given Karic's new political movement, which was gaining power until the government took decisive measures.

On December 29, 2005, Mobtel lost its mobile operator license, which was followed by a police raid of Mobtel premises. On January 4, 2006, the Department for the Suppression of General Organized Crime began its investigation into Mobtel business activities. Karic himself was interrogated by the tax authority on February 1 and fled the country soon afterward. Weekly *Vreme* claimed that the state bodies had evidence since 2002 on illegal activities and massive tax evasion by Karic but took no action.⁴⁶ Criminal charges were brought against 19 persons, including Karic and 3 of his brothers, for tax evasion amounting to €115 million (US\$154.7 million). After Karic fled, an Interpol warrant was issued on February 24. All of the brothers became fugitives and were believed to be in Russia, and the location of Sreten Karic, one of the brothers, was confirmed by Interpol in Moscow.⁴⁷

The state suspended permission for mobile operations to Mobtel, which Karic at the last moment sold to Austrian businessman Martin Schlaf. Telekom Austria bought private banks debt of Mobtel to become a major shareholder and then founded a new company, Mobi 3. Taking control of the matter, the state made a deal with Martin Schlaf, and then Mobi 3 was offered for sale through a tender. On July 31, the Norwegian mobile operator Telenor bought the company for €1.513 billion (US\$2.034 billion), of which 76 percent belonged to the Serbian state and the rest by previous agreement to Telecom Austria and Martin Schlaf. The Serbian government was delighted by the unexpectedly high price offered by Telenor, and the tender was considered to be very transparent. On November 7, Telecom Austria

was licensed to be the third mobile operator in Serbia for €320 million (US\$430.3 million). In this way, a potential crisis in the field of mobile telephony, one of the main sources of corruption in Serbia, was settled successfully. However, some argue that the legally-disputable way in which Mobtel was taken by the state may produce court proceedings in Serbia and before international tribunals.

Another important police action took place when the vice governor of the National Bank of Serbia, Dejan Simic, was detained on January 12, having been accused of receiving a bribe amounting to €100,000 (US\$135,910) from the director of the Socialist Party of Serbia, Vladan Zagradjanin (also detained). They were released from detention 80 days later. The Belgrade District Court refused to accept charges against Simic and asked the district attorney to correct the charges in October, but nothing had happened by the end of 2006.⁴⁸

The government undertook other efforts against economic criminals in 2006. On April 13, the Administrative Committee of Parliament and then the Parliament suspended the immunity of Goran Kljajevic, president of the Belgrade Commercial Court, and another judge of the same court. Charges were pressed against seven others, beginning state action against “the bankruptcy mafia,” a group reportedly behind intentional efforts to decrease the value of various companies by proclaiming their bankruptcy and then selling them for far below their market value. The Parliament also suspended the immunity of a judge of the Smederevska Palanka Communal Court on July 14, 2006, and the deputy public prosecutor of Serbia, Milorad Cvijovic, on October 8, 2006. Cvijovic was also accused as an accomplice in a bankruptcy mafia affair.

The Anticorruption Council was marginalized in 2006 by several overstatements made by its president, Verica Barac. It has lost its original capacity through the resignations of its most prominent members and also through intentional neglect by the government.

Transparency International–Serbia had serious objections to the Law on Party Financing. However, the agency welcomed the step taken in November 2006 by the Ministry of Finance to introduce new forms for political parties to justify amounts collected and spent during election campaigns. Now all political parties will be obliged not only to report total amounts spent, but also to itemize all expenses exceeding €75 (US\$102). This measure is supposed to provide much more credible information on how parties spend money collected after the parliamentary elections in January 2007.

Serbia has made a significant advance in Transparency International’s Corruption Perceptions Index over the past six years. In 2000, Serbia had an index of 1.3, which ranked it next to last among all nations surveyed. In 2005, Serbia’s ranking was 2.8; and for 2006, it was 3.0. The president of Transparency International–Serbia, Dr. Vladimir Goati, concluded that the level of corruption in Serbia had been decreasing, though at a slow pace.⁴⁹

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