THE DIFFICULT FIGHT AGAINST CORRUPTION IN TRANSITIONAL SYSTEMS: THE CASE OF SERBIA

Introduction
This article is an update of an article I published in the *South Slav Journal* in 2005.¹ It represents a new look at some of the earlier facts and conjectures then presented. More importantly, it is an interpretation of the continuing evidence of corruption, of the effects of the secession of Montenegro on the approach to the fight against corruption and of the evident constraints on efforts by the post-Djindjic leadership to deal with the endemic corruption of the Milosevic era and its democratic successors.

As pointed out in the earlier article, Titoist Yugoslavia had the reputation of being the most liberal of the communist-party-led states. Under Edvard Kardelj’s system of “worker-self-management” and “social self-government,” enterprise workers and local communities had substantial autonomy in running their enterprises and municipal affairs. In reality, however, these structures were run by the communist party organisations embedded within them. For example, local committees of the League of Communists of Yugoslavia (LCY), regularly intervened in getting enterprise councils to sign “self-management agreements” and “social compacts” to employ extra workers (often the communists’ relatives) and to commit enterprise funds for certain favoured investment or welfare projects under the rubric of “social solidarity.” Thus, channels for corruption were built into the very structures of the Yugoslav socialist system.

In a sense, this pattern of nominally de-centralised and liberalised governance gave an even more insidious picture of what Milovan Djilas described in his 1957 book *The New Class*,² where high party office gave individuals – the *nomenklatura* – access to material wealth, unconstrained by laws and regulations of property ownership. Indeed, under Milosevic, this relationship was even strengthened, as material favours and access to rent-seeking opportunities, such as government contracts and customs control,

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were doled out merely on condition of personal loyalty to him and his entourage, without even the previous fig-leaf of ideological commitment. Eventually, the “New Class” phenomenon was turned on its head, so to speak, as favoured business people came to acquire political power and office. In many of the transitional societies this new class of economic and political power and influence – the so-called “oligarchs” – became a dominant force for economic survival, and even growth. However, it was also a major source of corruption and an obstacle to the implementation of a genuine market and democratic politics. Milosevic in the rump Yugoslavia he controlled and Franjo Tudjman in Croatia were key examples of the kind of crony state-controlled capitalism that this description exemplified. There are many indications that this is generally the kind of system that Russian President Vladimir Putin seems to be attempting to introduce under the currently favoured model of “sovereign democracy,” with the attendant flourishing of corruption.

Another source of corruption, peculiar to Milosevic’s Yugoslavia, with traces still identifiable to the present day in Serbia, as well as Macedonia, Bosnia and Montenegro, were the international economic sanctions imposed by the UN under US leadership in mid-1992. They were to be punishment for Milosevic’s allegedly criminal actions in trying to keep as much of the former Yugoslav territory as possible under Serbian control after the outbreak of civil war. These sanctions led to the development of complicated networks of smuggling and money transfers, which kept the economies of Serbia, Montenegro, Macedonia and the Serbian-dominated enclaves in Bosnia and Croatia alive during the civil wars of 1991-1995. The pattern of what came to be called “Shverc-Komerc” (“Smuggler Import-Export, Inc”), helped to establish the fortunes of many of Milosevic’s cronies, and remains a major element of economic activity in Serbia, Montenegro and Macedonia to the present day.

Measures of corruption

In the previous article, Serbia-Montenegro was placed in 101st place out of 146 countries surveyed in Transparency International’s Corruption Perceptions Index (CPI) in the survey published in October, 2004, with a rating of 2.7, alongside such countries as Ukraine, Macedonia, Bolivia, Honduras and Zimbabwe. By 2005, Serbia-Montenegro’s rating had “climbed” to 2.8, placing it in 97th place, but now out of 158 countries, behind Bosnia-Herzegovina but ahead of Macedonia and well ahead of Ukraine and Russia. It was well behind such former Yugoslav republics as Slovenia (in 31st