"Challenges of Implementing the Reform Agenda:
One Year After the Democratic Breakthrough"
"Challenges of Implementing the Reform Agenda: One Year After the Democratic Breakthrough"
Summary of Information About the Public Opinion Surveys

Between July 2000 and June 2001, a total of seven public opinion surveys were carried out for the needs of the EWS and the UNDP, in the following periods:

I July 1 through 6, 2000
II September 7 through 11, 2000
III October 19 through 25, 2000
IV December 1 through 8, 2000
V March 3 through 10, 2001
VI April 4 through 9, 2001, and

Field contributors of the Centre for Political Studies and Public Opinion of the Institute of Social Sciences in Belgrade (mainly psychologists, sociologists, social workers and political scientists) personally interviewed a total of 11,320 people (between 1,488 and 2,092 per survey, or an average of 1,617), in an average of 95 local communities chosen at random in Serbia outside Kosovo province. The samples were proportionally stratified as regards the region, and the average error is below plus or minus 3% (more exactly, 2.72%).

On the average some 16% of those approached refused to respond to the poll, but controls showed that the members of these groups did not differ in regard to their critical characteristics (gender, age, nationality, education, location or even political affiliation) from the parameters of the population or from those who did respond to the survey.

The samples represented reliable cross-sections of the population in regard to sex (an average of 50.1% women and 49.9% men), the urban population (57.4%), age groups (an average of 20.9% in the 18-29 group, 19% in the 30-39 group, 18% in the 40-49 group, 17% in the 50-59 group and 24.4% over 60), national affiliation (81% were Serbs, 5.6% ethnic Hungarians, 3.6% declared themselves as "Yugoslavs," 2.7% were Moslems, 1.9% were Roma, 1% Croats, 1.4% Montenegrins and a total of 3.5% were other nationalities), and education levels (some 41% had incomplete or complete primary school, 45% had secondary education or were skilled or highly-skilled workers, and 14.2% had two-year post-secondary school studies diplomas or full university degrees), proceeding from the latest demographic projections as the comparison criteria, or parameters.

Information about Additional, 8th survey

The eighth survey was conducted in the period between October 7 and 9, 2001 in 92 local communities chosen at random in Serbia without Kosovo. Associates of the Centre's permanent field network personally interviewed a total of 1,472 adult citizens. A stratified three-stage (regions, municipalities, local communities) quota model was applied, with a random choice sample in each stage based on cumulative frequencies. The quota criteria were stratum (urban and other communities), gender, age, education level and nationality of the respondent, proceeding from the results of the 1991 census corrected on the basis of demographic trends. The sample reflected relatively precisely the adult population, not only in respect of the said criteria, but also some uncontrolled indicators. In simple samples probabilities of this size for the greatest variability of percentage of dichotomic variables the error is up to 2.6%, with a 95% reliability level. It is believed that in quota samples the average error is some 10% greater (2.8%, or 3% when we round it off), which is only an estimate based on empirical criteria. At just 11%, the average rate of declining to take part in the survey was far below years-old averages.
DISCLAIMER:

The assessments contained in this Report reflect the opinion and views of a team of independent experts of European Movement in Serbia and do not necessarily reflect the opinion and views of either the UNDP or the Government of the FR Yugoslavia.
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CG</td>
<td>Montenegro</td>
</tr>
<tr>
<td>DOS</td>
<td>Democratic Opposition of Serbia (18-party coalition)</td>
</tr>
<tr>
<td>DPS CG</td>
<td>Democratic Party of Socialists (Milo Đukanović)</td>
</tr>
<tr>
<td>DS</td>
<td>Democratic Party (Zoran Đinđić)</td>
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<tr>
<td>DSS</td>
<td>Democratic Party of Serbia (Vojislav Koštunica)</td>
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<tr>
<td>EWS</td>
<td>Early Warning Survey</td>
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<tr>
<td>FRY</td>
<td>Federal; Republic of Yugoslavia</td>
</tr>
<tr>
<td>G17plus</td>
<td>Expert Group of economists and other professionals (NGO)</td>
</tr>
<tr>
<td>GSS</td>
<td>Civil Alliance of Serbia</td>
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<tr>
<td>IDN-CPIJM</td>
<td>Institute of Social Sciences - Centre for Political Studies and Public Opinion</td>
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<tr>
<td>JUL</td>
<td>Yugoslav United Left (Mirjana Marković)</td>
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<tr>
<td>LSV</td>
<td>League of Socialdemocrats of Vojvodina</td>
</tr>
<tr>
<td>NS</td>
<td>National Party</td>
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<tr>
<td>SNP CG</td>
<td>Socialist People's Party (Predrag Bulatović)</td>
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<tr>
<td>SNS</td>
<td>Serbian People's Party of Montenegro (Nikčević)</td>
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<tr>
<td>SPC</td>
<td>Serbian Orthodox Church</td>
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<tr>
<td>SPO</td>
<td>Serbian Renewal Movement (Drašković)</td>
</tr>
<tr>
<td>SPS</td>
<td>Socialist Party of Serbia (Slobodan Milošević)</td>
</tr>
<tr>
<td>SRS</td>
<td>Serbian Radical Party (Vojislav Šešelj)</td>
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<tr>
<td>SSJ</td>
<td>Party of Serbian Unity (Borislav Pelević)</td>
</tr>
<tr>
<td>SVM</td>
<td>Alliance of the Vojvodina Hungarians (Kasa)</td>
</tr>
<tr>
<td>SZM</td>
<td>Alliance for Peace (Cuse)</td>
</tr>
<tr>
<td>VJ</td>
<td>Army of Yugoslavia</td>
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Executive Summary and Highlights  
From the Annual Issue of the EWS Report:  
July 2000 – October 2001

The Executive Summary covers more than a one year period throughout which the EWS reports have been conducted, uniquely covering last three months of the former regime (July – September 2000), period of democratic changes (September 2000 – December 2000), followed by ten months of this year featured by the consolidation of democratic Government, which has embarked on the tremendous challenge of reforming the country.

Based on eight Surveys conducted in Serbia without the province of Kosovo and in-depth analyses of the European Movement in Serbia team of experts, the Annual EWS report offers in depth insights into the historical time of changes covering fields of: political public opinion, ethnic relations, economy and crime and corruption

Political Public Opinion

• According to a series of indicators, including public opinion surveys conducted within the EWS programme up until the end of September 2000, during the Milosevic period, Serbia represented a typically deviant case of transition.

• After the victory of the democratic opposition in the elections held in the autumn of 2000 and until the end of that year, most people maintained unrealistically high expectations about the possibility of comprehensive and speedy changes for the better, expressing a corresponding lack of patience. But already by the spring of 2001, many hopes had been dispelled and mass dissatisfaction had reappeared, especially in regard to living standards.

• It is in the sphere of the omnipresent and widespread economic frustrations amongst the public that there lies one of the main warning signs of a potential destabilisation of the democratic process, partly also because these frustrations are showing a tendency to spread to other more distant areas (politics, culture, ethics, etc.).

• The synergistic effect of the unification of 18 parties in the DOS had vanished by October 2001, but the coalition continues to enjoy majority support – little would be changed in terms of party support if early elections were held, also because the opposition parties have been marginalised.

• Now according to voter intent, an electoral confrontation between DSS and the “remainder” of DOS would result in a stalemate or a kind of balance of impotence.

• However, the underlying perception of the great majority of population is still conservative with most people seeing the Serbian Orthodox Church, Yugoslav army and Federal president, V. Koštunica, as the pillars of social legitimacy and stability.

• The last and eighth in the series of surveys (October 2001) does show some signs of a recovery of optimism, and in any case a new realism – public opinions regarding the international community have improved and impatience in regard to the democratic process lessened.
Perceptions regarding the transition to a market economy and the perceived lack of results on the part of the state in the fight against crime remain sensitive and potentially threatening issues. It is these very questions – the fight against crime – that political parties have placed at the focus of their propaganda, thereby enhancing their importance, but the situation is also marked by inertness in the public (time is needed for some achievements of the new authorities to be perceived and welcomed) and the continued existence of the ingrained forms of crime and petty corruption.

Ethnic Relations

When viewed against polls dating from before the democratic changes, the overall number of citizens who are satisfied with ethnic relations in the country has significantly improved after the political changes towards democracy.

Before October 5th, 2000, dissatisfaction with ethnic relations in Serbia was mainly induced from above, i.e. by the policies of the central authorities in Belgrade, rather than being the result of bad relations at local levels or steaming from negative experiences with neighbors of different ethnic groups.

The partial deterioration of the ratings of satisfaction with ethnic relations after the October 2000 was particularly related to the clashes between Albanian armed insurgents and Serbian security forces in the Preševo Valley area of southern Serbia in the beginning of 2001.

Notwithstanding oscillations in the Serbian public on the use of force in southern Serbia to resolve regional problems, the majority of those surveyed who think that problems should be resolved in cooperation with the international community is relatively stable. Almost two-thirds of all those polled in Serbia think that cooperation with the international community is the only way to resolve problems in southern Serbia successfully.

The wave of political changes which engulfed Serbia bringing with it major expectations, hopes and optimism is therefore very important for the two biggest minorities in Serbia, i.e. Hungarians and Muslims (Bosniaks), whose assessments of ethnic relations are far more favorable than those expressed before the political changes. It is also important to note that these ratings, after the October/November 2000 changes, are stable.

An analysis of ethnic relations during the past 12 months shows that preservation of the mainly favorable ethnic relations at local and regional levels goes hand in hand with a more active, affirmative national minority policy of the level of Federal Government.

On the other hand, a relative majority in Serbia believes that the democratic shift in Serbia has caused no changes in the situation in Kosovo. One-quarter of those polled see the situation as even worse than during the Milošević era, and only 17% think that it has improved.

In this context, adoption of the Provisional Constitutional Framework for Kosovo and call for elections by the UNMIK which occurred on November 17, 2001 provoked negative reactions among majority of people in Serbia. The announcement of the elections initially provoked unanimous condemnation by all relevant political parties, who have said that the vote would be held in the absence of elementary conditions for fair and free elections.

European Movement in Serbia
• The ruling DOS coalition and the Serbian and federal governments nevertheless joined forces in backing the Kosovo elections. This decision was partly the result of external pressures, but also promises from the international community, that Serb participation in the ballot would not prejudice the future status of Kosovo, and that additional efforts would be invested in protecting Serbs and other non-Albanians in Kosovo. This has resulted in the Common Document between FR Yugoslavia and UNMIK, which is a clear step forward, in the direction of absorbing dissatisfaction of the Serb community in Kosovo.

• The Kosovo parliamentary elections resulted in turnout of 64.3% of overall registered voters (1,249,987 voters). DOS constructed Serbian coalition “Return” won 11.34% of votes and 22 seats in the Parliament, becoming potentially significant factor at the future political scene of Kosovo.

• The autonomy of Vojvodina is another important subject in Serbia, on which there are contrasting views: a relative majority of Serbs from Vojvodina (53%) believe that the current level of autonomy is sufficient, while a relative majority of the biggest ethnic minority in Vojvodina, Hungarians believes that the current level of autonomy of the province should be expanded (52%), while additional 27% of Hungarians are in favour of Vojvodina as a new Yugoslav republic. However, there is a consensus that it is not a priority question and that more pressing problems remain to be resolved.

• One of the most pressing problems is the relations between Serbia and Montenegro. Given the sharp division between the two political blocs in Montenegro and the stalemate existing there since the last elections, when the pro-independence parties won a narrow majority – one of the possible solutions would be a popular referendum in Montenegro. But a referendum might also show that neither side enjoys the necessary majority. A procedural consensus among political parties in Montenegro which would precede referendum should anticipate such a possibility and a mechanism for it’s resolution, in order to mitigate chances for potential conflicts further down the process.

• Relations between Serbia and Montenegro will continue to be high on the political agenda during the year 2002, as it’s resolution will trigger significant political and constitutional processes leading to either consolidation of the institutions of the federation or it’s dissolution into two, de iure, independent states. In either of two cases, it is to be expected that the decision on the status of the Montenegro, which is in the hands of it’s citizens, will lead towards subsequent constitutional changes in both of the republics.

Economy

Macroeconomic and Financial Stability

• Yugoslavia has returned to almost all of the most important international financial institutions and re-established economic relations with most countries;
• Changes have been effected in the consolidation of the tax system and public finances, most prices have been liberalised, as has foreign trade;
• The currency has been stabilised and parallel rates of exchange eradicated;
However, no economic or social development can be expected until a number of important conditions for safe investment are fulfilled. It is thus no surprise that economic trends in the first seven months of 2001, as well as last year, have been marked by falling industrial output and foreign trade, as well as rising retail prices.

- Industrial production in the first seven months of 2001 is some 3.1% lower than that recorded in the same period of 2000.
- The foreign trade deficit in the first half of 2001 reached US$ 1,500 million. Compared to last year, exports rose by 3.4%, and imports by 19.7%. Some 22% of the imports are energy-related, while the biggest export growth was recorded in consumer products.
- During the September retail prices have been increased by further 1.4%, which caused that the inflation rate has reached the level of 32.90% for the first three quartals of this year. The official rate is still 30 dinars to one D-mark, but this regime is expected to be loosened somewhat by the end of 2001. Hard currency stocks have reached almost one billion dollars.
- The overall retail price rise in the first half of 2001 was 27.7%; the biggest rises were in the second quarter. In July retail prices rose by 1.7%, and those of services by 5.2%. Postal rate hikes and higher tobacco prices accounted for the bulk of the July rises.
- From January to July 2001 some 150 billion dinars of public revenue were collected, in real terms a rise of some 9% compared with last year. In July the real-term month-on-month increase was about 14%.
- The M1 money supply figure also continued to grow, reaching almost 39 billion dinars late in July; the share of cash money in this was about 33%.
- The National Bank of Yugoslavia discount rate was set at a monthly level of 1.9% in June and Jul. This has been followed by subsequent decrease of discount rate in August to 1.6% and further to 1.3% in late September. This caused that the spread between the active and passive interest rates was further reduced.
- Steps were taken in the area of restructuring the bank sector: the door was opened to foreign banks, audits forced the closure of several local banks, and the final bank restructuring strategy is expected to be unveiled in the coming months.
- Interest rates on commercial papers (bonds) and certificates of deposit remained at a level of about 5%, considerably higher than the average monthly rate of inflation.
- Late in June 2001 a Privatisation Law was passed and the selection begun of legal and financial advisers for tenders to privatise the first 16 enterprises in 2001 and the first part of 2002.
- Shortly before the time of going to press, at the meeting with Paris Club on November 16th, 2001, it has been agreed that FR Yugoslavia benefit from the 66% debt write off (more than three billion USD), while remaining part will be paid during the next 22 years with the grace period of six years.

**Employment, Labour Market and Grey Economy**

- Compared to June 2000, a year later the overall employment figure in the socially-owned sector had fallen by over 41,000, continuing a tradition

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1 Socially owned sector is a term describing the enterprises which are not private nor state owned. This is peculiar and obsolete ownership concept, which was introduced, in former Yugoslavia in 1970s. The term should not be mistaken with social or third sector.
going back a number of years. The biggest drop was in the June-August 2000 period, between November 2000 and January 2001, and the April-June 2001 period. Given that the fall in employment in the socially owned sector in 2000 viewed against 1999 was smaller than the preceding years and not much higher than the average yearly growth of employment in the private sector.

- Under the newly-introduced classification system, in the January-June 2001 period the biggest relative drops in employment in the socially owned sector sector were recorded in the construction industry, financial services and other utility, social and personal services, while real estate and renting experienced higher employment figures.

- **Unemployment has grown considerably in the socially owned sector since June 2000**, by some 52,500, reaching a total of 772,600. Except in the September-November period, when unemployment fell, in all other periods the total rose, particularly from November 2000 to February 2001, and the February-April 2001 period. Its growth has slowed down in the past few months.

- **The structural characteristics of unemployment show no tendency to change.** The share of women in the jobless force has been close to 57.0% throughout the period, and the share of first-time job-seekers around 62%.

- The number of those receiving unemployment benefits varied in 2000 between 45,600 and 48,200, and then began to rise in 2001, exceeding 53,000 in July. But their share in the jobless total is still small, under 7%.

- **There have been no significant changes in the structure of unemployment viewed by time of waiting for a job or other important indicators.** Almost one-third of the total have been waiting for more than five years – they could be regarded as permanently unemployed.

- CPIJM studies place the share of those engaged in the informal sector at a constant 17% throughout the period, except in February when it was a little higher (23.0%): this means that the grey economy employs about one million people.

- **Almost two-thirds of those engaged in the grey economy are men;** the men-women ratio is far higher than in the regular sector. Age analyses show the dominance of the 40-64 group, while comparisons with the overall age structure indicate an above-average share in the grey economy of the younger middle-aged group (25-39). People with secondary school education dominate the informal sector, and viewed against the overall population the share of those with secondary or primary education, is above average.

- **People already holding regular jobs and the unemployed make up almost three-quarters of the overall grey economic sector workforce.** Viewed against the total population, one-out of five people holding jobs is involved in the grey economy, as is one out of five unemployed and one out of five agricultural sector workers. Another significant group are pensioners: one out of ten retired persons is involved in the grey economy.

- In the period covered, **the most important activities in the informal sector viewed by their workforces are trade and catering.** The agriculture is also an important, but here the numbers vary seasonally. **Arts and crafts** are also an major segment of the grey economy.

- The results of specific polls covering the grey economy reveal that over two-thirds of all participants come from non-agricultural households, that more than one-half are urban dwellers, and that one-half are childless couples.
The chief motives for involvement in this sector is ensuring that the basic needs are met, bare survival, or preservation of an existing standard of living.

Adoption of a new labour law by the end of 2001 is expected to result in significant changes in employment, unemployment and grey economy figures. The law is intended to liberalise the job market, and could help significantly reduce employment in that part of the socially-owned sector which tolerated underemployment and labour surpluses. It could also temporarily boost the registered unemployment figures, and provide a stimulus to many of those involved in the grey economy and private sector to register.

Socioeconomic Stability

• Real-term wages and other personal incomes did not follow fully the other economic trends. Since July 2000, nominal monthly salaries have grown from 2,094 to 5,427 dinars, but under 10% in real terms. The biggest monthly wage rise was recorded in December 2000, and in June and July of this year. The dollar-term rise from US$ 55 to US$ 79 is largely the result of exchange rate fluctuations.

• The costs of living rise was moderate, by a few per cent a month, except in the period from September to November 2000 and in April 2001, when a major electricity price hike took place.

• Real-term pensions also rose, reaching over 4,000 dinars a month (except in the Agricultural Fund, where they are far lower). Since October payment has been regular, and speeded up in the Agricultural Fund.

• Significant progress has been achieved in the area of social protection; most payment delays have been made good, and all welfare payments have been regular since October.

• CPIJM’s poll indicates that average household incomes in April reached 11,734 dinars, some 3.2% more than in March. Real-term income per household member is slightly lower compared to June 2000.

• The structure of overall income has been largely stable throughout the period, the biggest variations being recorded in agriculture and sale of property. The drop in the share of grey economy income in March and April 2001 is probably the result of the more active struggle against the black market.

• Average expenditure per household member rose from 1,944 dinars in June 2000 to 3,087 dinars in April 2001. Real-term expenditure reached in April the level seen in June 2000. Urban households had expenditures one-third higher than those of rural households. The spending structure is stable.

• At the start of the period two-thirds of those polled rated their status as very bad or bad, but in July their combined total was about one-half. This is clearly the result of expectations of the future rather than an assessment of the objective situation. Nevertheless, over 80% of the population are not satisfied with their standard of living and the overall economic situation: the number of those forecasting protests and strikes has once again reached a level seen before October 5 last year.

Crime and Corruption

• After the long period of intensive criminalisation of society and the state during the rule of Milosevic regime the new authorities have made important breakthroughs in fight against crime and corruption.
The overall fiscal legislation of Serbia has been reformed in the beginning of 2001, made simpler and it is starting to be applied in the same manner towards all taxpayers.

The “Law on once-off taxation of extra income and extra property acquired by using the special privileges” has been enacted identifying sources of wealth creation through the corrupt behaviour, which was pursued by the members and allies of the former regime, introducing element of justice in the fiscal system. Through this piece of legislation the Government intends to tax eligible persons (individuals and companies) applying steeply progressive rates ranging from 30% up to 90%. However, this will not pardon the tax payers from other eventual legal liabilities (Criminal Code).

The Public Procurement Act is in the process of being drafted by the Government of Serbia, aiming to set the rules for efficient and transparent utilization of public funds.

The Government of Serbia has fostered cooperation with the ICTY, making a major step forward by extraditing former FRY President Mr. Slobodan Milošević.

The proposal of the new Serbian Criminal Code has entered legislative procedure and it creates a step forward towards accession to the EU. It will help the Serbian criminal justice system to start emancipating itself and ridding itself of the remnants of the repressive and authoritarian habits introduced of the past. Certain imperfections in the proposal, concerning the penal policy, are expected to be corrected during the process of enactment.

Despite the achievements of the government, a majority of citizens view in critical terms its performance in fighting crime and corruption. In October 2001 – 26% of respondents claim that situation is now worse than before; while only 18% say that it is better. The relative majority of 46% claim that situation did not change, while only 3% of respondents do not have an attitude concerning the issue.

The repressive mood still underlies the prevailing attitude among the general public. A great majority of citizens (above two thirds) are of the opinion that punishments for crimes such as: murder, robbery, rape, corruption and organized crime should be made much more severe.

Two thirds of citizens fear that danger of international terrorism, following the September 11th attacks on US may spread to FR Yugoslavia.
Political Public Opinion

General Course of Development of Society

Late in 1999, when memories of that spring’s NATO intervention against the Federal Republic of Yugoslavia were still fresh, only one out of ten adult citizens of Serbia believed the path along which the republic was being taken was good, while an absolute majority thought it was wrong (55%).

In February 2000, a period marked by congresses of both the then ruling Socialist Party of Serbia (SPS) and its partner Serbian Radical Party (SRS), as well as an extremely aggressive pre-election campaign waged against their opposition, the infant Democratic Opposition of Serbia (DOS), a qualified majority of the citizens surveyed believed Serbia faced a bleak future, while only one-sixth thought the direction in which it was going was good.

Immediately after the democratic changes which took place on October 5, 2000, a complete turnabout took place - two-thirds of those polled at that moment in time said the new authorities (note that the opposition was yet to take control of the republican parliament) would take Serbia on a path of progress. The depression about the overall situation and critical views expressed in the winter of 2000 had been reversed after the democratic changes into enthusiasm and optimism about the future.

However, by the onset of the winter of 2001, a significant shift towards renewed pessimism was recorded, and those who believed FRY was being taken in an ill-advised direction once again assumed the majority position. By the summer of the year, the percentage of optimists had fallen further – they now account for just one-fifth of all citizens of Serbia - while the share of those who are critical and dissatisfied is now at a level practically identical to that recorded during Slobodan Milošević’s election campaign in 2000. The following groups in particular, expressed above-average frustration: national minorities, professionals, the middle-aged group, and especially supporters of the opposition (the SPS and SRS of

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Note: “Undecided” make up the difference to 100%. All results are from IDN-CPiJM studies.
the former regime), although they were joined by a considerable number of those who back the ruling DOS, especially the Democratic Party of Serbia (DSS).

This major shift in the trends of these generalised and very important indicators, especially for predicting the possibility of serious social and political conflicts, is mainly the result of political tension between Serbia and its smaller federal partner Montenegro, conflicts inside the DOS, the lack of efficiency in the struggle against crime, the growing conviction that Serbia has lost Kosovo for ever, economic difficulties and the slow pace of reforms, especially the elimination of price disparities and inflation, but apparently more than everything else by the unrealistic expectations that had been created about a rapid and tangible rise in the personal standards of living. In any case, viewed through the objectives of the EWS, this shift is sufficiently dramatic to serve as an indicator of general dissatisfaction and frustration over unrealised expectations and unfulfilled hopes.

The two-thirds pessimistic majority in mid-2001 therefore has a greater potential to create a social explosion than the even bigger critical percentage recorded in 2000, when many people harboured hidden hopes of democratic changes not only as a general objective but also as a guarantee of a better life, while their hopes have now burst like bubbles and left many in a state of utter despair.

The percentage of those who believe Serbia is being led in the wrong direction has nevertheless fallen considerably in October 2001 (from 62% down to 45%), with a corresponding increase in the optimistic group (from 21% up to 35%). This change can be viewed as one of the signs of a new realism and a decline in unrealistic expectations, as well as a potential rise in optimism motivated by the achievements of the new authorities.

(Dis)satisfaction With Various Aspects of Life

During times of large and rapid social changes, such as a period of transition towards political democracy and a market economy in eastern Europe since 1989, a certain level of general dissatisfaction with various aspects of personal and social lives is to be expected, especially in Serbia, which can be regarded as a “deviant” case of transition during the Milošević period. This frustration is natural among those who are the victims of transition and isolation and economic dissatisfaction of society, in any case characteristic of most people in Serbia until October 5, 2000. The objectives of the EWS are fulfilled better by studying dissatisfaction rather than positive feelings about selected aspects of life - this because of the fact that in countries like Serbia dissatisfaction is mainly responsible for shaping the social conduct of people and in particular their political views, and is therefore a better indicator for assessing the possibility of serious conflicts, crises and social protests.

While late in 1999 only one out of 20 of the people polled in Serbia was satisfied with the country’s position in the world and a vast majority was not, albeit for different reasons (opposition to the U.N. sanctions imposed on Yugoslavia, the self-isolation of the country deliberately chosen by its leadership, xenophobic feelings, etc.), and the results of the February 2000 study were identical, in November 2000 an absolute majority said the country’s status in the world was favourable; they were clearly impressed by the efforts of and results achieved by the new federal authorities to return the FRY to international institutions and organisations. In that poll and another conducted later in the year only one-third of the samples (mainly supporters of the opposition SPS, SRS and Party of Serbian Unity - SSJ), expressed dissatisfaction. However, in the spring and summer of 2001, once again, a majority had become displeased with the country’s international status while the “satisfied” group made up just over one-third. This major negative opinion shift may have been a result of (unfulfilled) expectations of large and speedy foreign
economic assistance, problems in connection with the handover of Yugoslav citizens indicted for war crimes to the International War Crimes Tribunal at the Hague, and the fate of the Kosovo Serbs, but we should also not rule out a possibility that economic frustrations were generalised and carried over to other aspects of life, all the more so as special interpretations (factor analysis) lead to a conclusion about a tendency of the people to manifest indiscriminate frustration, albeit less vocally than at the time of the previous regime.

The frustration of the people of Serbia with the political situation was also increasingly evident early in 2000, but after October 5 it declined, clearly as a result of the freedoms that had been won and the expectations about rapid social changes and improvements in all aspects of life. But the “satisfied” group never exceeded one-fourth of the population (February 2001), while the dissatisfied majority was always absolute, and in the summer of that year reached dimensions close to those recorded in the Milošević era. There are many reasons for the renewed growth of general frustration with the political situation in Serbia: disappointment with the relations within the 18-party DOS coalition, separatist tendencies in Montenegro, the slow pace and lack of success in resolving problems in Kosovo and in the fight against crime (frustration was expressed by no fewer than 86% of those polled in mid-2001 in regard to Serbia-Montenegro relations, 71% in connection with the anti-crime struggle, and 68% regarding the problem of Kosovo). Supporters of the DOS are somewhat less frustrated with the political situation in Serbia, except for those of the DSS, who are closer to opposition supporters in this respect. The latter are almost unanimous in their dissatisfaction (about nine-tenths), clearly as a result of the election loser syndrome. The frustration of the people of Serbia with the internal political situation is therefore to a large extent conditioned by party orientation, while the graphic representation shows the existence of variations dependent on situational events, most probably successive escalations and easing of the tensions existing within the DOS, in particular between the DSS and the Democratic Party.

Satisfaction with the economic situation in the country is being expressed by very few people, in fact by about as many as
numerous analyses define as those who benefitted from the post-communist transition – so-called “new Serbs” – those who amassed enormous wealth in a short time. In the entire period covered by studies, since 1999, almost nine-tenths of those polled are permanently dismayed by the economic situation, and last October’s events had no effect whatsoever on those feelings, which are also characterised by party political homogeneity. The number of those dissatisfied with their own personal standard of living is also at a record level, and has also changed very little with the passage of time, which means that the new authorities have not managed to reduce this kind of frustration, and that the people see a link between the dismal status of the global economy of the country and their own unfavourable material situation. There are nevertheless slightly more of those who are satisfied with their own lot (maybe because they are realistic and have low expectations) than of those who are satisfied with the current economic picture of Serbia.

It raises some concern to see in all social categories large majorities expressing similar levels of dissatisfaction with their standards of living – from 65% in the self-employed category all the way to 91% of manual labourers and semi-skilled workers. In these high figures there are nevertheless variations depending on political outlook: some 70% of DS supporters are frustrated, compared to 91% of those who back the SRS.

Satisfaction with the administration in power, expressed in the last few months of Milošević’s regime only by supporters of the SPS and the Yugoslav Left (JUL), in total about one-sixth of all those polled, has been almost doubled in percentage points after the democratic changes. Although an absolute majority of the
population remains dissatisfied with the administration, not only on account of the expected reaction of the Socialists, who suffered a massive defeat at the elections (93% dissatisfied) and Radicals (91%). Also an absolute majority of DSS supporters are frustrated with the authorities, although at the time of the latest poll the DSS was still a formal participant in the republican government.

Dissatisfaction with ethnic relations in Serbia was until October 2000 the choice of an absolute majority, particularly due to the unsatisfactory position of the Kosovo Serbs, but after the defeat of the Socialists at the federal elections, the frustration was reduced somewhat (only a relative majority), while the level of satisfaction rose, most likely on account of fresh hopes, but also the new joint Federal/Serbian government policy in southern Serbia. But in the spring and summer of 2001 frustration with ethnic relations again became the choice of an absolute majority, although about one-third are still satisfied with them. Above-average frustration characterises opposition supporters, national minorities in central Serbia and regions bordering on Kosovo, while the Vojvodina ethnic Slovaks are the most optimistic (80%).

In contrast to the Milošević era, when almost two-thirds of all people in Serbia were dissatisfied with the level of democracy achieved, while just one-sixth supported the authorities in this respect (SPS supporters, as a rule), a year-and-a-half later the percentage of those who are disillusioned has dropped appreciably, and the “satisfied” group (at 37%) has almost caught up with them, although the dissatisfied still make up a relative majority. Supporters of the DS top the optimistic group (63% satisfied versus 24% frustrated), supporters of the DSS and other

![Figure 6: (Dis)satisfaction with the authorities in Serbia](image_url)

![Figure 7: (Dis)satisfaction with ethnic relations in Serbia](image_url)
DOS parties are divided, while 80% of all SPS supporters are dissatisfied with the development of democracy, as were 68% of SRS supporters and 53% of SSJ supporters. Above-average support for the development of democracy was expressed by some ethnic minorities (Slovaks, Moslems, Croats), professionals and self-employed persons.

**Ratings of the objectivity of the media are very similar**, although it is somewhat surprising that the dissatisfied are still in a relative majority. In mid-2001 over three-quarters of all Socialist (78%) and Radical (77%) supporters were dissatisfied with the objectivity of the media, some 44% of all DSS supporters were frustrated, as against 39% who were satisfied, while DS supporters were the most pleased (two-thirds of them, while just one out of five were frustrated). During the era of the former regime only the supporters of SPS were pleased with the media - some four-fifths of them.

In the period before the October 2000 events, an absolute majority in Serbia was dissatisfied with the human rights and liberties situation, while over one-fourth of those who were satisfied were from the ranks of SPS and SRS supporters.

**A complete turnabout has now taken place** – in mid-2001 an absolute majority said they thought the human rights situation was fine. The highest levels of optimism in this respect was expressed by some national minorities (Slovaks, Moslems) and self-employed persons.

The number of pollees assessing the conduct and integrity of
people as good remains very stable – the “satisfied” group (almost one out of four) remains virtually unchanged from the time of the emphatic Milošević election campaign, but in the meantime the absolute majority of those who are discontented in this respect has grown. This means that people think the democratic changes have done nothing to improve the ethics situation, or at least have not yet contributed to a change in the perception of people’s behaviour. The frustration levels are the highest among professionals and university students, probably because their criteria are the strictest. The assessment standards in this respect appear to be the toughest among supporters of the DS, DSS, SRS and the Serbian Renewal Movement (SPO).

In mid-2001, less than one-fifth of all those polled were satisfied with the prospects for their and their children’s futures - this is a higher level of optimism than that seen in the Milošević era, but also one-half of that recorded in the post-October period when high hopes and expectations were evident. Already by the end of 2000 the dissatisfied group were in a relative majority, and in an absolute majority since the spring of this year: the conclusion is that most people have lost hope once again. Three-quarters of all supporters of the SPS and SRS see little future for themselves, the figure is the same among ethnic Hungarians, and the negative ratings are also high among farmers and white-collar workers (about two-thirds of each group). Optimism is a little higher among DS supporters (35%) and ethnic Slovaks (39%), while those under the age of 30 differ little from the overall average (58% dissatisfied as against just 20% satisfied).

Satisfaction and Frustration With the New Authorities

Comparing the new authorities directly with Milošević’s regime, the people of Serbia in May 2001 still showed considerable restraint, except in regard to some freedoms that had been won – democratic rights.

An absolute majority link media freedom directly to the new authorities, especially supporters of the DOS (70%), ethnic Hungarians (71%), those
declaring themselves as “Yugoslavs” (78%), self-employed persons (74%), secondary-school and university students (71%).

An absolute majority also believe personal freedoms and the possibility of criticising the new authorities are now broader, with a very small number of those polled saying the old authorities were better in this respect. Above-average votes in favour of the new government came from DOS supporters (67%), “Yugoslavs” (78%), self-employed persons (62%) and better-educated people in general – professionals (59%), white-collar workers (61%), schoolchildren and students (58%) and skilled and highly skilled workers (57%). Like the previous case, most of those saying the old authorities were better or at least that nothing had changed are those above the age of fifty and SPS and SRS supporters.

Just over one-third of those polled said access to one’s own funds in banks and other financial institutions had improved; this view is held by an above-average number of supporters of the DOS (43%) and the SPO (43%), professionals (52%), schoolchildren and students (46%), self-employed, skilled and highly skilled workers (42% each).

Only slightly over one-quarter of those polled said equality before the law was now better. But this view is held by no less than 63% of the “Yugoslavs” polled, 40% of DOS supporters, 51% of self-employed persons and 39% of all professionals.

One-half of all people think the new authorities have done nothing to shorten waiting times for the issue of various certificates and permits and for other administrative business, and if we add the 7% who think the old regime was even better in this respect, the result is that an absolute majority see no improvement that could be attributed to the new authorities. Only slightly over one-fifth of those surveyed think the efficiency of the bureaucracy has improved since the new authorities came on to the scene.

Assessments of security in public places are similar – only one-fifth see some improvements in this respect.

No fewer than three-quarters of all those polled have seen no positive changes in the security of their own homes in the past year’s time.

There are more of those who say it was easier to obtain medicaments in the old period than those who say the accessibility is better now. Even among the supporters of the ruling coalition, some 35% say the old regime was better in this respect, compared with 21% who say the new authorities are better.

### Table 1: Comparing the new government with the old one (percentages)

<table>
<thead>
<tr>
<th>Object of comparison</th>
<th>New govt. is better</th>
<th>Both are the same</th>
<th>Old govt was better</th>
<th>Undecided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media freedoms</td>
<td>53</td>
<td>28</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Personal freedoms</td>
<td>51</td>
<td>30</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Access to funds in bank accounts</td>
<td>36</td>
<td>31</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td>Equality before the law</td>
<td>28</td>
<td>39</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Waiting times for issue of permits etc.</td>
<td>22</td>
<td>49</td>
<td>7</td>
<td>22</td>
</tr>
<tr>
<td>Public security</td>
<td>21</td>
<td>57</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>Security at home</td>
<td>19</td>
<td>67</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Accessibility of medicines</td>
<td>15</td>
<td>37</td>
<td>39</td>
<td>9</td>
</tr>
<tr>
<td>Purchasing power</td>
<td>10</td>
<td>33</td>
<td>51</td>
<td>6</td>
</tr>
<tr>
<td>Possibility of finding a job</td>
<td>7</td>
<td>47</td>
<td>32</td>
<td>14</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>26</strong></td>
<td><strong>42</strong></td>
<td><strong>18</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>
An absolute majority think purchasing power was higher in the previous period and this datum is perhaps the most critical for the new authorities, especially because it does not tally with objective indicators, but is rather an expression of subjective experiences following the elimination of price disparities. This is also the majority view among DOS supporters (42%, against just 14% who support the new authorities).

An extremely small number of people think the new authorities have improved the prospects for finding a job.

Satisfaction and Frustration With the Concrete Achievements of the New Government

Out of the fourteen achievements offered, in only two cases was majority support expressed for the new authorities – transparency of work and the resolution of problems in southern Serbia.

Most people were satisfied with the transparency of the work of the Serbian and federal governments, although it was not a convincing majority (exactly one-half of those polled); this indicates that the restraint expressed by the pollees was the result of the insufficient time for the activities of the new governments to be expressed fully. It is therefore not surprising that the highest level of satisfaction was expressed for the manner of the work, rather than for any real effect.

A relative majority support the governments’ efforts to resolve the problems in southern Serbia, especially self-employed persons (59%) and professionals (59%), Roma (61%) and DOS supporters (59%).

There are contrasting opinions in regard to the accountability of former government officials.

Only one-fourth said they were satisfied with the suppression of the grey economy, while one-half were not satisfied. This result was to be expected, as

Figure 13: Level of satisfaction with new authorities’ activities

<table>
<thead>
<tr>
<th>Achievement</th>
<th>% Satisfied</th>
<th>% Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency of work</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Resolution of problems in southern Serbia</td>
<td>37</td>
<td>47</td>
</tr>
<tr>
<td>Accountability of former state officials</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>Suppression of the grey economy</td>
<td>49</td>
<td>24</td>
</tr>
<tr>
<td>Pace of adoption of new laws</td>
<td>51</td>
<td>23</td>
</tr>
<tr>
<td>Amnesty for prisoners</td>
<td>47</td>
<td>20</td>
</tr>
<tr>
<td>New tax system</td>
<td>57</td>
<td>20</td>
</tr>
<tr>
<td>Resolution of the problem of Kosovo</td>
<td>59</td>
<td>20</td>
</tr>
<tr>
<td>Struggle against inflation</td>
<td>70</td>
<td>19</td>
</tr>
<tr>
<td>Payment of wages, pensions</td>
<td>69</td>
<td>18</td>
</tr>
<tr>
<td>Simplification of business operating conditions</td>
<td>32</td>
<td>14</td>
</tr>
<tr>
<td>Plan for privatising firms</td>
<td>46</td>
<td>12</td>
</tr>
<tr>
<td>Care for the impoverished strata</td>
<td>71</td>
<td>11</td>
</tr>
<tr>
<td>Rejuvenation of industrial production</td>
<td>79</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: The difference to 100% is made up of “undecided”.
it was found in the previous month that relatively few people believed the new authorities would help reduce the scale of the grey economy. Also so many people are in the grey economy that they would hardly wish for its suppression in the absence of anything to replace that income source.

**Less than one-fourth of those polled are satisfied with the pace at which new laws are being adopted**, and one-half are not satisfied. This finding is not surprising, given that several hundred new laws need to be adopted.

**Only one-fifth of those polled support the amnesty granted to prisoners**, and almost one-half are not satisfied with it.

**The new tax system also won the support of just one-fifth of the sample**, but here the percentage of those who are dissatisfied is even higher than in the previous question.

**Only one-fifth support the manner in which the problems in Kosovo are being resolved.** Three-fifths are not satisfied; this list is headed by supporters of the SPS (86%), SRS (78%), and SSJ (72%), those declaring themselves as Serbs (62%), unskilled and semi-skilled workers (66%) as well as secondary-school and university students (63%).

**Less than one-fifth are satisfied with the results of the struggle against growing prices**, while no less than seven-tenths are dissatisfied.

**Over three-quarters are not satisfied with the size of wages and pensions and the regularity of their payment**; the number of those who are satisfied is relatively small.

**The simplification of the conditions in which companies operate**, a virtually forgotten promise made by the ruling parties in the period before the elections, is a question in which an absolute majority were either undecided or disinterested. Even among self-employed persons, a relative majority is dissatisfied in this respect (47%, against 28% who are satisfied).

**The state’s care for the poor won the lowest positive ratings**, which is not surprising as the results of the preceding study, conducted in April, revealed that the people of Serbia expect very little of the authorities in this area, at least initially.

**The harshest negative assessments were made in connection with the promised revival of the economy**, where four-fifths of those polled expressed dissatisfaction; this is also in keeping with the findings of the April survey, which established that a huge majority harboured no illusions about a rapid economic revival.

The period of elation and great expectations, the honeymoon period for the new authorities has obviously passed; the people now openly express criticism and disenchantment with much of what the authorities have achieved. But the people of Serbia are far from unanimous in their objections, even the biggest – two objections separate themselves from the others with the same albeit relatively small percentage (18% each); they are **the gap between the promises and the actual achievements, and insufficient concern for the serious material problems of the population**. By July 2001 these percentages had gone up to around 25%. Placed third with 12% is the **career syndrome**, the objection that the primary motivating force in the new authorities is the struggle for personal gain. **Low operational efficiency** was rated fourth (11%), and **lack of unity among party leaders** was fifth at 10%. But just two months later the lack of unity jumped up two places with a 16% rating. Some 9% of those polled objected to a **bad cadre policy**, some 7% criticised **practices retained from the period of the former authorities**, about 5% objected
to giving in to the demands of the international community, and all other objections taken together accounted for another 5%, while a further 5% expressed no criticism for various reasons (lack of interest, fear, inability to choose. etc.).

The International Position and Foreign Policy of the Country

Besides ending the isolation of Yugoslavia, the foreign policy priorities listed by the new authorities were a pronounced pro-European orientation and coming closer to the EU, overcoming disagreements and stabilising relations with the United States, normalising relations and consolidating goodneighbourly cooperation with new and old neighbours, as well as nurturing good relations with Russia and the third world countries.

The country’s international status is an area in which an overwhelming majority of the people see progress in comparison with the period of the old regime: over three-quarters (or 79%) of those polled said Yugoslavia’s position in the world was now better.

But this finding does not also imply the existence of actual satisfaction with the international position of the country. The once huge level of discontent with the country’s status has been changed into absolute-majority satisfaction, most probably the result of the country’s “lightning” return into the fold of international organisations, the lifting of the sanctions and the benevolent attitude of the West towards Yugoslavia after the fall of the Milošević regime. But the positive trend will not continue and neither will the majority optimism ratings. By the summer of 2001, the erosion of satisfaction and increase in pessimism showed themselves in percentages almost identical to those recorded in the autumn of last year, albeit this time in the opposite direction.

The causes of the dissatisfaction are many and diverse – unrealistic expectations and a shortage of patience, disappointment over the conditions attached to the aid provided by the international community and its ineffectiveness and bias in Kosovo. But the first important point is that considerably more people see improvements in the international position of the country than they do in all other areas (compared with the situation in the past). Secondly, although more
people are dissatisfied than satisfied, the international position of the country is among the highest-rated aspects of social life.

Foreign Aid

A convincing majority of the people polled in October 2001 voiced dissatisfaction both with the size of the international financial assistance and the pace at which it is reaching the country: some 70% see the aid as insufficient and slow, while just 13% are satisfied with it. These figures are virtually unchanged from those recorded in the spring of this year; the number of undecided is declining and they are gradually joining the “dissatisfied” group.

In the matter of the (slower than expected) inflow of foreign investment into the local economy, respondents see various problems, the biggest group (30%) listing legislation not conducive to commerce and uncertain conditions for doing business. Placed second, with 16% each, are the inability of both the authorities and the economy to offer programmes attractive to potential investors, and the conflicts in the ruling coalition – the DOS. One out of ten said foreign investors were discouraged by the ongoing dispute between Serbia and Montenegro, 7% see corruption as the chief problem, 2% think taxes are too high, 6% see various other problems, while 13% could not find a reason for the absence of foreign economic investment.

Yugoslavia and the EU

Yugoslavia’s efforts to join the European Union are supported by a huge majority of the people of Serbia (80% in October 2001).

Indecision and opposition to this idea characterise the elderly and less educated groups, but in all categories the positive view was the prevalent one. The younger, more educated, qualified and socially active the respondents, the more they are in favour of EU membership.

NATO

A majority in the Serbian public in October 2001 (47%) are against Yugoslavia joining NATO, although the number of supporters of that idea is close to one-third (31%), with one-fifth declining to answer.

Highly-educated professionals are the only socio-professional category where NATO backers outnumber opponents (49% against 32%), and the percentages are almost equal in the secondary-school and university student group (39% supporters and 40% opponents). All other groups are mainly opposed.

Looking at ethnic groups, Montenegrins are largely in favour of joining NATO (58% against 37%), among ethnic Hungarians 46% are for and 22% against, and one-third are undecided, and in the Moslem-Bosniak group 39% are in favour and 21% opposed, with no less than 41% declining to give an opinion. The view of Serbs and those declaring themselves as “Yugoslavs” are almost identical: in the former group 30% are for and 50% against and in the latter 29% for and 51% against joining NATO, while in both groups one-fifth gave no answer.

Political orientation is of major importance for this issue: pro-NATO respondents were in the majority among supporters of the DS, other DOS parties and the SPO, while those backing the DSS, SSJ, SRS, SPS, the undecided and election abstainers were mainly against joining NATO.

In contrast to the high level of unity visible among supporters of the DOS parties in regard to EU membership, efforts to join NATO could easily be an apple of discord in the coalition, where the DSS would be against and the DS and the other parties in favour of the idea.
Earlier surveys have shown the existence of support for membership in the Partnership for Peace. In October 2001 poll respondents were asked if Yugoslavia’s membership in the said organisation would have a positive effect on resolving the problems in southern Serbia and Kosovo. An absolute majority replied positively, one-fifth did not think so and a quarter were undecided on the issue.

Change in Attitudes Towards the International Community

A series of surveys made in the past decade indicated the existence of widespread support for Yugoslavia’s membership in the EU. This re-direction of the foreign policy strategic preferences away from the global options and towards European and western ones was formed spontaneously in the mid 1980s, a time when non-alignment was still the official foreign policy orientation of the state; at the beginning of the 1990s, the pro-European sentiments reached a level of one-half of the adult population. During the 1990s they survived the deterioration of the international position of first the “second” and then the “third” Yugoslavia, isolation, sanctions, demonisation, and the NATO bombing. Alternative foreign-policy strategies (non-alignment, reliance on Russia and China) have been irreversibly relinquished. The people of Serbia are aware of the new reality in international relations and the place and future of their country in it. The small decline of the pro-European feelings late in 2000 can be attributed with certainty to deflated euphoria over Yugoslavia’s return into international organisations.

Table 2: Should Yugoslavia join the European Union?

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<tr>
<td>Yes</td>
<td>50</td>
<td>72</td>
<td>76</td>
<td>86</td>
<td>80</td>
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<tr>
<td>No</td>
<td>11</td>
<td>24</td>
<td>6</td>
<td>5</td>
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<td>8</td>
</tr>
<tr>
<td>Undecided</td>
<td>38</td>
<td>4</td>
<td>18</td>
<td>9</td>
<td>9</td>
<td>12</td>
</tr>
</tbody>
</table>

Attitudes towards NATO as a form of military association were much more restrained than those towards the European Union, an economic and political integration. After forgoing non-alignment, the former regime was very much inclined towards military alignment with Russia and Belarus and reliance of China, while the NATO member-countries and the alliance itself were treated as strategic adversaries. There was majority public support for the state policies in regard to NATO, but not the alliance with Russia and Belarus. Surveys conducted in 1995 and the spring of 1998 showed that there was majority opposition to NATO membership, but that a large percentage were undecided on the issue. But the alliance with Russia and Belarus never won much support: just 18% of those polled in 1999, 20% early in 2000, and just 11% after the democratic changes in October last year.

Table 3: Should Yugoslavia join NATO?

<table>
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<tbody>
<tr>
<td>Yes</td>
<td>23</td>
<td>29</td>
<td>24</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>No</td>
<td>48</td>
<td>44</td>
<td>41</td>
<td>58</td>
<td>47</td>
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<tr>
<td>Undecided</td>
<td>29</td>
<td>27</td>
<td>35</td>
<td>18</td>
<td>22</td>
</tr>
</tbody>
</table>

Reservations towards NATO grew in the autumn of 1998, when a NATO military intervention in Yugoslavia became almost a certainty, but in 2000, thanks
partly to the passage of time following the traumatic air raid experiences, attitudes towards NATO were first **restored** to the levels from 1995, and then grew to the present levels – almost equal to those from the spring of 1998.

Although the number of those against NATO membership was and remains greater than that of supporters, already in 1996 public opinion was largely in favour of **Partnership for Peace**. Although the undecided percentage was large – 47% – we should note that the **number of supporters of PfP membership was bigger than the number of opponents** – 35% against 17%. The large undecided figure was a result of **a lack of information about** Partnership for Peace, but also **sufficient awareness** about its links with NATO, hence the **reluctance to support** Yugoslavia’s membership in an organisation which was part of what people saw as the unacceptable and hostile NATO alliance. Studies made in 2000 and 2001, however, indicate the existence of **almost three-to-one support in Serbia for Yugoslavia’s membership in the Partnership for Peace**.

The past decade has of course **left its mark on all areas**, including public opinion. **Rational pro-Europe and pro-EU choices** are attended by profound feelings of suspicion about European and global communities and organisations, Western countries and peoples. **Confidence** shown in international organisations is usually **half of that expressed for efforts to join** those same organisations. Although primarily situational and reactive in character, such reactions appear as an **objective obstacle** in the necessary process of engagement of the people in fulfilling the conditions for EU membership, both in regard to support they need to give the authorities and their own personal involvement.

**Serbia’s and Yugoslavia’s new authorities enjoy convincing and indubitable support of a majority of the people** for their policy of opening up the country towards Europe and the world and membership in international communities and organisations, where **support for EU membership is particularly strong**, even if we view part of it as conformism. But those authorities **do not always enjoy majority support for meeting the concrete conditions** set by the international community, whether they are perceived as demands contrary to society’s traditional values and standards, those appearing to the people as discriminatory and unfair, or those whose fulfillment threatens people’s livelihoods. This is a problem for the democratic government, which must sometimes act against the wishes of the people but cannot do so too often and where opposition is extensive and widespread.

**Life Before and After the Fall of Milošević**

A relative majority in Serbia said in October 2001 they were living better than during the Milošević era. **Life is better now than before October 5, 2000** was the above-average choice of the following groups: the under-30s (50%), those declaring themselves as Yugoslavs and Moslems (63% each), ethnic Hungarians and Croats (51% each), schoolchildren and university students (61%), professionals (60%) and the highest income group (56%).

**A huge majority of DS supporters (83%) say life in October 2001 is better. This view is mirrored by about two-thirds of those who support the DOS**

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**Figure 15: Assessments of living conditions before and after the democratic changes (October 2001)**

- Better now: 43%
- Worse now: 23%
- Unchanged: 26%
- Don’t know: 8%
while the ratings of DSS backers are almost identical with the overall average. In contrast, SPS supporters are totally opposed to those of the DS (86% negative ratings), and among SRS supporters there is also an absolute majority (56%) who think the same.

Comparisons of life now and during the Miloševic era are therefore completely dependent on political orientation, clearly decided by a number of factors enhancing one another: youth, education levels, better material status and certain national affiliations determine the optimistic assessments made in the study – in contrast, groups defined by advanced age and low educational and material status clearly see the past in a better light.

This conclusion is also supported by the explanations respondents gave for their views. Those who think the present is better lay emphasis on prospects for the future, a restoration of hope and optimism (30%), they are followed by those who base their views on the belief that economic reforms have been launched successfully, those pleased with monetary stability and slowdown of inflation, and finally those whose explanations focus on the implementation of democracy, wider freedoms, the creation of the necessary conditions for a state ruled by law, and the state’s fight against crime.

Those who think that nothing essential has changed in comparison with the Miloševic period justify their position primarily on the virtual or total absence of fundamental changes, and the unchanged levels of crime and corruption. Those pining after the Miloševic era say they are personally threatened by the reforms and privatisation, economic stagnation and unemployment, and the unresolved status of Serbia.

Directly comparing the situation in nine different areas between October 2001 and the Miloševic period, most people (over three-quarters of the sample) see the biggest positive change in the country’s position in the world (Table 4). This issue is dealt with in detail elsewhere in the report.

The overall political situation in the country is rated positively by a relative majority, which is nevertheless far smaller than that optimistic about the international position of the country. Above-average optimism about the internal political scene was expressed by the middle-aged group (52%), Moslems (61%), Montenegrins
(68%), ethnic Croats (69%), professionals (66%) and white-collar workers (54%), while above-average pessimism came from the over-60 group and housewives. But political orientation was far more important in this particular assessment.

Table 4: Assessments of the situation in various areas during the Milošević period and in October 2001

<table>
<thead>
<tr>
<th>Area</th>
<th>Better now</th>
<th>No change</th>
<th>Worse now</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>International position of the country</td>
<td>78</td>
<td>10</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Political situation</td>
<td>46</td>
<td>25</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Situation in southern Serbia</td>
<td>38</td>
<td>26</td>
<td>21</td>
<td>15</td>
</tr>
<tr>
<td>Ethnic relations</td>
<td>28</td>
<td>50</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Standards of living</td>
<td>20</td>
<td>36</td>
<td>41</td>
<td>3</td>
</tr>
<tr>
<td>Corruption and crime</td>
<td>18</td>
<td>46</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>The economy</td>
<td>18</td>
<td>40</td>
<td>31</td>
<td>11</td>
</tr>
<tr>
<td>Situation in Kosovo</td>
<td>17</td>
<td>42</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>Serbia-Montenegro relations</td>
<td>7</td>
<td>41</td>
<td>39</td>
<td>13</td>
</tr>
</tbody>
</table>

Placed third on the optimism scale is the situation in southern Serbia, also rated positively by a relative majority. The subject is explained in detail in Chapter II – “Interethnic Relations” (page 51).

Ethnic relations are placed fourth, but it should be noted that no less than one-half of the sample see the situation as unchanged (also explained in detail in Chapter II – page 49 and further).

On the matter of the standards of living, a relative majority think they have deteriorated - there are twice as many who say living standards were better during the Milošević period. Above-average ratings in favour of an improvement in the standards of living were expressed by ethnic Moslems (41%) and ethnic Hungarians (28%), as well as professionals (also 28%, but a like percentage of them think standards have worsened). Only supporters of the DS say the situation in this area has improved (47%, against 17% who think the opposite), while no fewer than 93% of the SPS supporters polled said standards of living had fallen. Pessimism was expressed by 73% of SRS supporters, 63% of those who back the SSJ and 50% of SPO supporters. Many more DSS supporters are pessimistic (46%) than optimistic (just 17%) in this respect, while among those backing parties within the DOS other than the DSS and the DS, most (43%) see the situation as unchanged, followed by optimists (30%) and pessimists (25%).
A relative majority think the crime and corruption situation is unchanged, some 25% that it was better in the past and just 18% that improvements have taken place.

A relative majority see no change in the economic situation, but it should be noted that there are many more who think it was better during the Milošević era (31%) than those who think that it is better now (only 18%). Above-average pessimism ratings were expressed by those living in central Serbia (35%), unskilled and semi-skilled workers (39%), self-employed persons (43%) and pensioners (41%). SPS and SRS supporters rated the situation negatively (88% and 62%, respectively). Optimism somewhat above the already low average was expressed by those living in Vojvodina (23%, a figure identical to the negative ratings expressed there) and schoolchildren and university students (27%), as well as supporters of the DS (30%, against 11% thinking the opposite and no less than 50% who see no change).

The situation in Kosovo is seen as unchanged by a relative majority in Serbia. Among those who do see changes, more think they are negative. The subject is also discussed in detail in Chapter II (page 53).

The relations between the two member-republics of the Yugoslav federation got the worst ratings in the survey – just one of fourteen of those polled see an improvement there, while the pessimistic and “unchanged” groups are almost identical – about two-fifths of the sample each. This subject is discussed in more detail elsewhere in this report.

Ratings of the Activities of the Serbian Government

In October 2001, an absolute majority of those polled (51%) rated the performance of the Serbian Government positively, while 39% expressed the opposite opinion.

The response picked by a relative majority (47%) was “generally good,” with just one out of 25 (or 4%) saying the Government’s performance was “very good”. Among the negative ratings, there were twice as many (26%) who picked the “generally bad” option than those who opted for the “very bad” choice. Interestingly, just one out of ten people have no clear opinion about the performance of the Serbian Government – this attests to the high level of interest in the activities of this political institution.

Above-average positive ratings of the government’s performance in the past nine months came from: those living in Vojvodina (60%), urban dwellers (58%), those under 40 (57%), ethnic Hungarians (75%), Montenegrians (69%), Yugoslavs and ethnic Croats (63% each), Romanians (60%) and Moslems (57%), professionals (68%), schoolchildren and university students (66%), white-collar workers (58%) and the highest-income group (60%).

In contrast to the above, above-average negative ratings of the government’s performance were expressed by: those living in rural areas (42%) and the Belgrade region (44%), the over-60s (46%), Serbs (42%), farmers (44%), unskilled and semi-skilled workers (48%), housewives and self-employed persons (43% each) and pensioners (46%), but in all these categories (except the elderly and the least educated - farmers and unskilled workers) those with positive ratings are still in a relative majority.
But the decisive factor in rating the government’s performance once again turned out to be political orientation.

Figure 18: Ratings of the performance of the Serbian Government by political orientation (October 2001)

<table>
<thead>
<tr>
<th>Party</th>
<th>Negative</th>
<th>Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>39</td>
<td>51</td>
</tr>
<tr>
<td>DOS except DS and DSS</td>
<td>24</td>
<td>77</td>
</tr>
<tr>
<td>DS</td>
<td>7</td>
<td>89</td>
</tr>
<tr>
<td>DSS</td>
<td>39</td>
<td>53</td>
</tr>
<tr>
<td>SRS</td>
<td>87</td>
<td>7</td>
</tr>
<tr>
<td>SPO</td>
<td>53</td>
<td>38</td>
</tr>
<tr>
<td>SPS</td>
<td>93</td>
<td>3</td>
</tr>
<tr>
<td>SSJ</td>
<td>67</td>
<td>26</td>
</tr>
<tr>
<td>Others</td>
<td>41</td>
<td>52</td>
</tr>
<tr>
<td>Undecided, abstainers</td>
<td>37</td>
<td>44</td>
</tr>
</tbody>
</table>

As asked to list the biggest achievements of the Serbian Government, most respondents gave at least one answer (88%) or two (77%). There were nevertheless many (12%) who believe the Government has achieved nothing, and an identical percentage could give no reply.

Figure 19: Most important achievements of the Serbian Government (October 2001)

<table>
<thead>
<tr>
<th>Achievement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>International affirmation of Serbia</td>
<td>26</td>
</tr>
<tr>
<td>Handover of Milosevic to the Hague</td>
<td>14</td>
</tr>
<tr>
<td>Stable dinar</td>
<td>14</td>
</tr>
<tr>
<td>Privatisation</td>
<td>11</td>
</tr>
<tr>
<td>More regular payment of penions, wages</td>
<td>10</td>
</tr>
<tr>
<td>Resolution of problems in southern Serbia</td>
<td>6</td>
</tr>
<tr>
<td>Tax system reforms</td>
<td>4</td>
</tr>
<tr>
<td>Suppression of the gray economy</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>Nothing achieved</td>
<td>12</td>
</tr>
</tbody>
</table>

Note: Percentages calculated on the basis of the total number of responses without the “don’t knows”.

Looking only at the concrete responses (of which there were a total of 2,608, or 1.8 per respondent), we found that the people of Serbia lay emphasis on the international affirmation of Serbia, followed by the stability of the currency and the extradtion of Slobodan Miloševic to the Hague tribunal, the process of privatisation and the gradual elimination of delays in the payment of salaries and pensions. Considerably smaller numbers listed the resolution of the problems in southern Serbia, the reform of the tax system and the suppression of the “gray economy”.
Respondents criticising the government were more specific - only 1% could not think of any objection and just 2% said the government did not deserve any.

Most of the criticism referred to the lack of unity among (ruling party) leaders, followed by the objection that those who are now in power “care little for the difficult position the people are in”, criticism about the gap between words (pre-electoral promises) and deeds. Some people also listed the “scramble for power,” lack of efficiency in the Government’s work, a “poor cadre policy,” a soft line in the face of the international community, and the practice of doing exactly the same as the former regime.

The lack of unity among the leaders is a complaint voiced above the general average by the better educated groups: skilled, highly skilled and white-collar workers, professionals, schoolchildren and university students (28% each), and especially DS supporters (46%).

A deaf ear for the serious position of the people is the above-average choice of unskilled and semi-skilled workers (29%), farmers (28%), housewives (33%), the unemployed (29%), and supporters of the SRS (28%) and the SPS (27%).

The difference between promises and deeds is the above-average choice of unskilled and semi-skilled workers and housewives (22% each) and pensioners (21%), and especially supporters of the SPS (39%), the SSJ (31%), and the SRS (22%).

The scramble to gain power and position was listed above the average by unskilled and semi-skilled workers (15%), schoolchildren and students (21%) and the self-employed sector (25%), as well as SRS supporters (15%).

A lack of efficiency in the work of the Government was listed as a complaint by professionals (14%), who also criticised the poor cadre policy (15%).

In their objections, supporters of the DSS are quite close to the overall averages, those of the DS differ from others by emphasising the lack of unity among leaders, and those of the DOS parties other than the DSS and the DS are closer to supporters of the DSS than of the DS. Opposition supporters, particularly Socialists followed by Radicals, stressed the lack of concern in the Government about the serious position of the people, and the gap between words and actual deeds.

One of the most frequently heard accusations directed at the Serbian Government, coming not only from the opposition but from within the DOS itself, is that some government members are implicated in corruption and illicit profit. Asked the question directly, an absolute majority of respondents (51%)...
believe the accusations are well-founded, only one out of six (17%) thinks they are baseless, while almost one-third of the sample (32%) could not give an answer.

The corruption and graft accusations are believed above the general average by self-employed and unemployed persons (57% each) and unskilled and semi-skilled workers (56%), while professionals believe them the least (41%).

Once again, political orientation was decisive in the attitudes of the respondents. The accusations against the Government are believed by a great majority of supporters of the SRS (86%) and the SPS (84%), as well as of the SSJ (72%) and the SPO (69%) – all opposition parties. In contrast, a relative majority of DS supporters reject the charges (48%, against just 23% who believe in them). Supporters of the DSS and DOS parties other than the DSS and the DS reacted along the lines of the general average.

An accusation recently voiced against the Federal Government and the federal President states that the FRY continues to enforce Milošević’s decree on financial assistance for the army of the Bosnian Serb Republic. A relative majority (42%) are opposed to such help for a foreign state, however close it might be to this country, while almost one-third (32%) justify aid of this kind from the federal budget. Above-average opposition to this assistance came from the people of Vojvodina (45%), Moslems (64%), Yugoslavs (47%) and ethnic Croats (46%), professionals (49%), white-collar workers (47%) and skilled and highly skilled workers (45%), and particularly self-employed persons (62%). Above-average support for the assistance was voiced by Serbs (35%, against 40% who oppose it) and housewives (42%, against 27% opposed).

Political orientation again turned out to be the decisive factor. Two-thirds of all Socialists and Radicals (64% each) support continued aid for the Bosnian Serb Army, as does an absolute majority of SSJ supporters (53%), while SPO supporters are divided. On the other side, opposition to the aid was expressed by absolute majorities of supporters of the DS (59%) and DOS parties other than the DS and the DSS (54%). DSS sympathisers are divided - 37% support and 36% oppose the said military assistance.

If it is at all possible to compare two very different accusations which have been voiced in the democratic public, it should be noted that the people of Serbia were less critical of an accusation directed at the Yugoslav Government and Presidency than of unproven charges of corruption within the Serbian Government.

Social Protests

Very many people said the next six months could bring social unrest (demonstrations, strikes, protests, clashes etc.) more because of economic reasons (73%) than political discontent (60%), while 20% and 11% respectively said disturbances were out of the question. The series of data collected in four surveys carried out from July to December 2000 showed that the democratic change in Serbia has reduced social tensions and discontent somewhat, but political more than economic.

The study carried out in May indicates that forecasts of politically-motivated protests are unchanged since last December’s, but that those of economically-motivated unrest are rising, and are now at levels recorded in July and September 2000.

But by the summer of 2001 expectations of imminent socio-economic unrest and political protests and demonstrations were on the increase again. This is a signal provoking much concern and is relevant as an early warning indicator for Serbia.
The people of Serbia therefore perceive or even feel personally the deterioration of the political and economic situations, and most probably expect more radical conflicts of both types but principally related to their economic position. It raises particular concern to note that in mid-2001 more people expected economically-motivated protests and disturbances to take place than in the last months of the previous regime, while indications of political protests are at a level just a little lower than at the time they escalated immediately before and after the federal elections on September 24 last year.

Figure 21: Probability of social protests

Note: Percentages cover responses that social protests are imminent or very probable.

Changes in People's Electoral Orientations

In the year 2000 the DOS gradually won the confidence of the Serbian electorate thanks to the effect of the unification of eighteen opposition political parties. The crucial change in the prevailing mood took place late in the summer when a majority decided to say “No” to Milošević’s regime. After the victory of Vojislav Koštunica at the federal presidential elections on September 24 and DOS’s victory at the federal parliamentary vote, mass support for the victor escalated and peaked in January 2001. Since then the DOS has enjoyed a stable, albeit somewhat reduced, majority in the electorate. The other parties are far behind, and even in a single coalition would be unable to threaten an electoral victory by the DOS.

Although the DOS lost one-quarter of its support in the January-October period (a decline from 65% to 48%), the political balance of forces in Serbia has not changed appreciably. The DOS is still a prevailing force on the party political scene and has no serious rival within the Serbian opposition.

Table 6: Electoral orientations of the people of Serbia in the past twenty months

<table>
<thead>
<tr>
<th>Parties</th>
<th>DOS</th>
<th>SPS</th>
<th>SRS</th>
<th>SSJ</th>
<th>SPO</th>
<th>Others</th>
<th>Abst.</th>
</tr>
</thead>
<tbody>
<tr>
<td>XII 1999</td>
<td>15</td>
<td>13</td>
<td>4</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>59</td>
</tr>
<tr>
<td>II 2000</td>
<td>21</td>
<td>17</td>
<td>5</td>
<td>0</td>
<td>7</td>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>VII 2000</td>
<td>24</td>
<td>20</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>VIII 2000</td>
<td>39</td>
<td>24</td>
<td>8</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>IX 2000</td>
<td>40</td>
<td>22</td>
<td>7</td>
<td>0</td>
<td>5</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>X 2000</td>
<td>61</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>XI 2000</td>
<td>63</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>XII 2000</td>
<td>61</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>28</td>
</tr>
<tr>
<td>I 2001</td>
<td>65</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>III 2001</td>
<td>52</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td>V 2001</td>
<td>53</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>VII 2001</td>
<td>52</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>X 2001</td>
<td>48</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>33</td>
</tr>
</tbody>
</table>

Note: Percentages cover the potential of parties in Serbia’s total electorate without Kosovo. All data from IDN-CPIJM surveys.
The DOS can still count on three times as many votes as all other parties combined (more exactly, 2.7:1). Any electoral uncertainty that might exist is therefore not the result of the strength of the opposition to the DOS, but of the deteriorating relations within the DOS and signals that some DOS parties could leave the coalition.

Any electoral uncertainty that might exist is therefore not the result of the strength of the opposition to the DOS, but of the deteriorating relations within the DOS and signals that some DOS parties could leave the coalition.

A simulation of individual election appearance by the parties making up the DOS in early October 2001 shows that the DSS is the strongest political party – the support on which it could count equals the combined votes of all other DOS members.

The DOS’s second most popular party is the DS. At elections held now, the DS would win just over one-half of the vote achieved by the DSS, but more than all the remaining DOS parties combined.

The electoral strength of the DOS is as follows: DSS = 50%, DS = 29% and the remaining DOS parties = 21%.

After a virtually ten-fold increase in support following the victory of its leader at the federal presidential election, the DSS is now steadily losing its backing. Compared with May 2001, when it could count on the support of over one-third of the electorate (35%), in four months the DSS lost some 30% of its supporters. According to the current balance of power, if it were to run at elections on its own and against other individual DOS parties, the DSS could count on a relative rather than absolute majority, insufficient to form a government on its own.

Since May 2001, the DS has been recording a modest though constant rise in support – from 9% to 14% of the overall electorate.

Support for other DOS members is relatively small and stable, except the Nova Srbija (New Serbia) – its popularity is growing at a slow but permanent pace (now reaching 3.6%). Running on its own, the Nova Srbija could be expected to pass the minimum requirement and enter parliament.

The most important research finding, confirmed by this study, is that the combined total of the support for the DOS’s individual members (50% of the electorate) is a little bigger than the DOS’s support as a coalition (48%). This shows that the DOS no longer enjoys the benefits of synergy effects - mass voter identification with the DOS seen during the period when federal and republican elections were held has been replaced by identification with its individual parties.

An electoral confrontation between the DSS and the “remainder” of the DOS would result in a stalemate. This also brings into question a possible relative majority win by the DSS and leads to a possibility of a “balance of impotence”.

Figure 22: Electoral support for DOS member-parties in early October 2001
Some of the DSS’s supporters (10%) would not vote for it if it were to step out of the DOS. But even so the DSS would lose nothing, as it would attract somewhat more voters away from other parties, as well as undecided and abstainers. The DOS in a confrontation with the DSS would also lose the support of some of its former sympathisers, but the coalition would also attract supporters of other parties, undecided and abstainers, leaving its overall support (without the DSS) unchanged.

A simulation of any variant of election with various participants, except if the DOS were to run in its integral form, does not point to the existence of any single party or group which could win the vote and govern on its own. In principle, the DOS is divided into two almost equal groupings, while the opposition is marginalised and divisions within the DOS do nothing to boost the opposition’s electoral support. This leads to the conclusion that elections now would not help stabilise the political situation in Serbia as a precondition for more efficient resolution of the problems facing society. Calling elections and conducting a campaign now would only help escalate existing tensions between political forces and squander social energy on a completely unjustified activity.

One of the divisions within the DOS, albeit the most significant, is the conflict between the two biggest parties, the DSS and the DS, and their leaders. Although this conflict assumes irreconcilable shapes and is founded on serious platform differences, differences in political priorities, concepts of the functioning of the state, etc., in October 2001 the dominant view in Serbia’s public opinion...
was that in the best interest of Serbia the DSS and the DS must do everything possible to overcome their differences.

This view is founded on the conviction that these two members of the DOS coalition bear the biggest responsibility for Serbia’s future and that a political and electoral confrontation between them would only bring about a “balance of impotence,” a situation where a political force capable of accomplishing the expected social changes would not exist on Serbia’s political scene.

This view is the prevalent mood among the supporters of DOS member-parties (some 84% of all GSS supporters would like to see a resolution of the DSS-DS conflict in the interest of Serbia’s future, as would more than 60% of those who back other DOS parties - 63% of NS supporters, 62% each of DS and LSV backers, 61% of DSS sympathisers). Also not at all negligible are the percentages of DSS and DS supporters who believe their parties’ dispute is not serious (21% of DS supporters and 17% of those of the DSS). In contrast to this, opposition supporters, except those of the SSJ, would like to see a split between the DSS and the DS (54% of SPS supporters, 53% of the SRS and 44% of the SPO).

The infighting within the DOS have so far not managed to cement public opinions about the future of the coalition. The trend seen in the previous months continued in October – opinions are basically divided on the question whether the DOS should remain united in its present form, with a modest rise in the number of those calling for its preservation.

In replying to this question, opposition supporters project hopes that the ruling coalition will break up and thereby improve the electoral prospects of the opposition. In contrast, supporters of some DOS member-parties project in their responses their (dis)satisfaction with the functioning of the ruling coalition and the participation of their parties in government, as well as (dis)satisfaction with the direction and pace of social changes (Figure 27).

The incidence of those calling for the preservation of the DOS is highest among supporters of the GSS (89%), LSV (69%) and the DS (67%), the NS (60%) and the DSS (52%). In earlier studies supporters of the DOS’s biggest party - the DSS - were divided on this issue, while those of the NS wanted to see the end of the DOS, majorities among sympathisers of both parties now want to see the DOS survive. In contrast to this, supporters of the DS, once champions of preserving the coalition, are now showing more reservations on the issue.

Opponents to the survival of the DOS are thus mainly sympathisers of opposition parties, but as we have seen there is also a considerable number among DOS supporters.
The development of the political situation in the country after last December’s republican parliamentary elections - growing disunion among DOS leaders, occasional crises in the federation in relations with the coalition partner from Montenegro, legal challenges of the constitutionality of decisions made by the federal and republican governments, promises by the DOS that it will call elections a year-and-a-half after coming to power, dissatisfaction of some DOS member-parties with their share of the executive power etc., have motivated a number of parties to call for new elections. In October 2001, Serbia’s public is divided on the question whether holding parliamentary elections would help resolve the problems faced by society – the number of those who believe they would has seen a slight decline in the past months.

Republican elections as a means to resolving the political crisis and precondition for speedier economic development are supported by a vast majority of opposition supporters, but also a relative majority of DSS and NS supporters. Sympathisers of other parties are mainly opposed to this view.

Calls for new elections by supporters of the opposition parties, which were the losers at the last elections, are motivated by the expectation that their parties could only do better at any future vote.

Almost one-half of all DSS supporters are also calling for elections, believing that despite its strength and the popularity of its leader, their party has been short-changed in the division of power and that within the DOS itself it can realise few of its political objectives – and that the DSS will assume power after winning elections running on its own or in a coalition with DOS parties close to it. But this hope seems unfounded, given the present mood of the electorate.
Similar reasons are given by almost one-half of all NS supporters in calling for new parliamentary elections in Serbia, probably enhanced by the popularity of the party leader, who has for some time been advertising his candidacy for president of Serbia. This hope does have a certain foundation, given the gradual rise in the ratings of the NS.

The small number of DS supporters calling for elections is evidence of the widespread fears of an unfavourable electoral outcome and loss of power by the DS in case the DOS is restructured and some parties depart to run on their own, especially the DSS.

Similar reasons are probably also voiced by supporters of other DOS parties, given that new elections and possible restructuring of the DOS could place many of the smaller DOS members in an unenviable position and threaten to remove them altogether from the halls of power.

Changes in Confidence in Institutions

The institution of the president of the FRY enjoys the biggest confidence of the people among all political and other institutions, as a result of. The election victory over Milošević in September last year.

The confidence of the people in the federal parliament and government (like that in Milošević) was below legitimacy thresholds until the September elections, but after October 5, the legitimacy of all federal institutions rose to levels of absolute majorities. But by the spring of 2001, the people’s trust in the Government and Parliament of the FRY had declined considerably, although it still exceeds levels recorded in Milošević’s time. The institution of federal president clearly enjoys the trust of far more people than the other two, whose legitimacy trends are very similar.

In the wake of the republican elections in December 2000 and the DOS’s victory, the legitimacy of all republican institutions has grown from the very low levels it had held in 2000. However, since the spring of 2001 the legitimacy of republican institutions has been falling or stagnating, as a consequence
of several factors: the implementation of badly-needed but unpopular actions, conflicts inside the DOS, a generalisation of the frustration of the people and its direction at the government, prime minister and parliament, whom the people hold accountable for their low standard of living, the absence of necessary and expected measures, a lack of patience in the population, postponed or forgotten pre-election promises, etc.

The confidence of the people in the Serbian and federal political institutions is tightly linked to their political orientations, except the institution of the president of the FRY, who enjoys a broad base of cross-partisan support. DOS supporters express far higher levels of confidence in all the said institutions than do those of the opposition parties. The Government of Serbia, for example, is rated positively by some 59% of all DOS supporters, as against just 17% of opposition supporters.

As far as the confidence in the institutions of the system is concerned (army, police, judiciary, once the pillars of the Milošević regime), it is clear that the VJ constantly enjoys an absolute majority support in Serbia, with some small cyclical variations. The VJ’s public support rating was the lowest in 1992 (46%), and the highest in the wake of the 1999 NATO intervention, and especially after it
refrained from interfering in Milošević’s conflict with the democratic movement on October 5th last year.

The broad support for the army is based on traditional links with that institution, which is seen as a guarantor of security and a symbol of the might of the state.

Public confidence in the police reached majority status after October 5, 2000, because the police refrained from massive intervening against the democratic movement and the people defending the election victory over Milošević and his SPS, that is, the police did not resort to the level of brutality formerly experienced by demonstrators having in mind the Čačak incidents and the initially tear-gassing of the crowds in Belgrade.

Public confidence in the judiciary declined after October 2000 – until April 2001, probably because reforms in this area have been delayed. The people of Serbia see the judiciary as inert, inefficient and corruption-riddled; an elimination of its deficit of legitimacy can be expected to take place only after fundamental changes in that sphere.

table 7: Public confidence in public services and utilities

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<th>2000</th>
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<td>II</td>
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<td>Education</td>
<td>70</td>
<td>38</td>
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<tr>
<td>The health sector</td>
<td>63</td>
<td>33</td>
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<tr>
<td>Social services</td>
<td>49</td>
<td>16</td>
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<td>Utilities</td>
<td>-</td>
<td>53</td>
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<tr>
<td>Power supplies</td>
<td>-</td>
<td>68</td>
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<tr>
<td>Transport</td>
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<td>39</td>
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Note: Confidence in the utilities, power company and transport was not surveyed in February 2000 and July 2001.

Public confidence in the public services exhibits considerable situational variations (power supplies, for example) and depends very little on the political situation. On top of everything, the former regime used certain services...
(education, the health sector, the electric power company) to maintain social stability. The new authorities have undertaken various salvage measures (elimination of price disparities) which have resulted in a temporary fall of confidence in some institutions, but there are also other reasons for their crisis (monopolies, ownership relations, lack of efficiency etc.).

As far as institutions of the civilian society in a broader sense are concerned, the biggest level of confidence, although not continuously, is being exhibited in the Serbian Orthodox Church (SPC); it is a little below the share of Orthodox Christians in the overall population.

**Figure 33: Confidence in the Serbian Orthodox Church (%)**

Confidence in the media was expressed by some 45% of the sample in November 2000; the figure in mid-2001 is almost unchanged, at 46%.

The Serbian Academy of Sciences and Arts (SANU) enjoys a relatively high, though declining, level of public confidence.

Non-governmental organisations are gaining legitimacy very slowly, and are now trusted by only about 30% of all people in Serbia. They were demonised during the Milosevic period and their work is still not known to many people, except for some of the best known, such as the G-17-plus, Otpor (Resistance), the European Movement in Serbia, Fund for Open Society, the Centre for Free Elections and Democracy, and others.

Viewed as a whole, the legitimacy of the system in Serbia is founded on three pillars: the president of the FRY, the VJ and the SPC, which points to a conclusion about a predominantly traditional and authoritarian basis of the current legitimacy of institutions.

**Conclusion**

The seven waves of public opinion surveys conducted in Serbia within the EWS project for the use of the UNDP between July 2000 and May 2001 indicate the high level of influence of situational factors on the formation of public opinions. The surveys conducted until the decisive democratic events in October (the September 24 elections for the federal parliament and Yugoslav president, as well as the October 5 mass democratic upheaval in the defence of the electoral victory of Vojislav Koštunica over Slobodan Milošević) reflected the existence of an atmosphere of a profound and deep-rooted public dissatisfaction with the Milošević regime, in all aspects encompassed by the surveys. Absolute majorities expressed their opposition to the direction in which Serbia was being taken, the international position of the country, the political situation and the governments of Serbia and the FRY, the economic situation and standards of living, the existing
levels of democracy and human rights, ethnic relations, media objectivity, the prospects for the future of individuals and families etc.

In the period before the fall of the Milosevic regime, an absolute majority of those polled expected major social protests and unrest motivated by political and economic reasons (which soon came to pass).

Up until the democratic turn in October 2000, the legitimacy of political institutions was low, so low in fact that we could well speak about a deficit of legitimacy of those institutions. The legitimacy of institutions of the system was better, particularly that of the armed forces and certain institutions the regime employed to preserve social peace, through rhetoric and erosion of their material bases (the power grid, the health and education sectors).

The electoral mood of the people took a decisive turn towards the then opposition DOS and its presidential candidate Koštunica in August 2000, as a synergy effect of an association of 18 political parties and support for the joint candidate.

The period immediately following the democratic turn was marked by major feeling of relief in the public, but also the growth of enormous expectations and satisfaction with various aspects of life (the exceptions being a mass and uniform public dissatisfaction with the economic situation and the standards of living, which remained unchanged). The period of hope, elation and great expectations lasted until January 2001.

Starting with February 2001, public dissatisfaction with all aspects of life began to grow once again, most probably as a result of unrealistically high expectations, unfulfilled hopes, impatience for a rise in living standards, more assistance from the international community and progress in the resolution of the Kosovo problem and the internal political problems, especially the Serbia-Montenegro relations. Economic frustrations most likely spread to other areas (except human rights) - the reasons for renewed pessimism and a critical attitude towards the new authorities should be sought in the disagreements within the ruling DOS coalition.

Comparing the former and present authorities directly, most people think the latter are better as regards media freedoms and personal freedoms, but the former are preferred in regard to purchasing power, accessibility of medications to the public, and even prospects for employment.

Majority satisfaction was expressed in regard to the achievements of the new authorities in the spheres of the transparency of the work of political subjects and the resolution of the problems in southern Serbia, while there was major dissatisfaction with the economic recovery measures, the care of the state for the poor, payment of pensions and wages, the fight against inflation and crime, the rate at which new legislation is adopted, as well as certain individual measures (amnesty for prisoners, tax laws, privatisation plans).

There are renewed expectations of economically-motivated mass unrest, in fact they are even more pronounced than at the time of the former regime.

In spite of everything, the rating of the ruling DOS remains relatively stable, and the current opposition is unable to find supporters among dissatisfied voters, most of whom would rather opt for joining the ranks of election abstainers.

Public confidence in the political institutions grew following October 5, 2000, but since the spring of 2001 it has been falling or stagnating, most probably because the republican authorities have implemented a number of essential yet unpopular measures, for example reduction of some price disparities.

The legitimacy of the system in Serbia is now founded on public confidence in three pillars: the army, the Serbian Orthodox Church and President
Koštunica, leading to the conclusion that the current legitimacy is predominantly traditionally authoritarian in nature.

The October 2001 survey has detected the disappearance of the synergy effect for DOS of its 18-party merger. The coalition nevertheless continues to enjoy the support of a great majority, and elections at this moment would change very little. The marginalisation of the opposition (SPS, SRS, SSJ, SPO) continues - those dismayed over the inter-DOS disputes would rather join the ranks of abstainers than vote for the opposition parties. An electoral confrontation between the DSS and the "remainder" of the DOS (led by the DS) would result in an impasse and sort of "balance of impotence".

The October 2001 survey has shown signs of a gradual recovery of optimism and a new public realism, positions on the international community (except NATO and the Hague Tribunal) have improved, and there is now less impatience in regard to the democratic process.

The critical areas of pessimism are in the economic sphere, especially the low standards of living, unemployment and stagnation of industrial output. Majority negative opinions in connection with crime and corruption also persist, partly because these issues are seen as DOS election campaign propaganda, but also on account of sheer inertia and the ingrained nature of traditional crime and petty corruption.
Interethnic Relations

Ratings of Ethnic Relations

In a survey carried out late in May 2001, a majority of the people of Serbia expressed their dissatisfaction with ethnic relations in the Republic. Compared with the results of a poll conducted in October last year, immediately after the historic political changes, a rise was recorded in the percentage of negative assessments on the republican and regional levels, while on the local level they were almost unchanged. However, when viewed against polls dating from before the democratic changes, the number of those who are dissatisfied with ethnic relations has dropped while the incidence of those who are satisfied has grown.

Dissatisfaction with the existing ethnic relations was expressed early in 2000 (in February, when the now ruling Democratic Opposition of Serbia /DOS/ coalition was in the gestation stage) by absolute majorities in all minority ethnic communities, in particular Muslims-Bosniaks (73%) and Serbs (61%). Hungarians, on the other hand expressed an average level of dissatisfaction. Immediately before the elections in September last year, a positive effect was generated by the formation of the DOS, a united democratic front including political representatives of national minorities, which resulted in a considerable rise in the number of those satisfied with ethnic relations. Their number grew further in October as a result of the optimism and expectations raised by the political changes.

The fact that the improvement in the rating of ethnic relations took place after the political changes in Serbia confirmed the thesis advanced earlier which stated that the dissatisfaction with overall ethnic relations in Serbia was mainly induced from above. In particular the policies of the central authorities in Belgrade, rather than being the result of bad relations at local levels or negative experiences with neighbors from a different ethnic group.

The deterioration of these ratings, which took place after the October changes was the result of a waning of the initial euphoria and expectations, but

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2 The difference up to 100% is made up of “don’t knows”.
3 In Serbia Muslims are considered as separate ethnic community which does not include Albanians or any other ethnicity. Political representatives of the Muslim community in Serbia have filed a request to the Government that their community be identified as Bosniaks. It is expected that this change will occur soon, i.e. during the implementation of the next census. Alternatively this change could be endorsed by adoption of the Government now draft Act on Ethnic Minorities or by eventual enactment of the new Constitution of the Republic of Serbia.
particularly of the clashes in the Preševo Valley area of southern Serbia. These incidents can be said to be the main cause of the dissatisfaction with ethnic relations expressed by relative majorities in Serbia, especially by those declaring themselves as Serbs, Montenegrins or Yugoslavs, which is shown by the following Figure.

These findings are supported by the results of the survey, which indicate that relative majorities of Serbs are pleased with ethnic relations in their regions and overwhelming majorities at local levels, but viewed against last October, they are more dissatisfied with the relations in Serbia as a whole.

The ethnic Hungarians and Muslims continue to exhibit majority satisfaction at all levels. This is understandable as they are generally less affected than the Serbs by the events in southern Serbia and the conflicts between the Serbs and ethnic Albanians.

Viewed by political orientation, absolute majorities of the adherents of all relevant parties, as well as the undecided and electoral abstainers, expressed negative ratings of ethnic relations in Serbia; this view was shared by a relative majority of the supporters of DOS (49% against 41%).
The people of Serbia are far more satisfied with ethnic relations at the regional and local levels than with those in the republic as a whole. This finding mirrors the findings of earlier studies, the only difference being that the Serbs are now more dissatisfied than members of national minorities.

**Positive ratings at local level are stable in all communities.** This includes the Serbs, who are however visibly more displeased than others with ethnic relations in Serbia as a whole.

The Muslims (Bosniaks) are now better satisfied with the overall level of ethnic harmony than with that in the regions where they are concentrated. This is probably a result of their support for the national minority policies of the new authorities, but also their proximity to the crisis zone and Kosovo border. In contrast to the present survey, in February 2000, some 73% of the respondents expressed negative views. Although in general Muslims (Bosniaks) are expressing satisfaction with inter ethnic relations they certainly are not in favor of the status quo. As was shown by the special survey devoted to the ethnic relations, conducted by the CPIJM, in September 2000, one third of this ethnic group is in favor of the territorial autonomy in the areas where they constitute a majority. One fifth of all Bosniaks are in favor of wider cultural autonomy and only 18% express opinion that their current status should not be changed. More detailed surveys are needed in order to explore attitudes of this ethnic group. The wave of political changes which engulfed Serbia with major expectations, hopes and optimism is therefore very important for the two biggest minorities in Serbia, whose assessments of ethnic relations are far more favorable than those expressed before the political changes. It is also important to note that the ratings after the changes are stable.

On the other hand, when they gauge overall ethnic relations, the Serbs take into account their relations with the ethnic Albanians; this does not affect the national minorities.

An analysis of ethnic relations in the past year shows that, among other things, the conservation of the mainly favorable ethnic relations at local and regional levels, together with a more active affirmative national minority policy of the central government, is the correct formula for eliminating ethnic tensions and preventing possible future conflicts.

**Southern Serbia**

One of the biggest successes achieved by the new authorities as expressed by the analyses of the media and in the eyes of the majority of citizens of Serbia is certainly the normalization of relations with the western countries notwithstanding the bombing of the Federal Republic of Yugoslavia in 1999, the signing of the Kumanovo Agreement and adoption of U.N. Security Council Resolution 1244. The new authorities’ policy of patience and cooperation with the international community thereby showed its efficiency, diminishing the growing dissatisfaction of the people of Serbia with the situation in southern Serbia. The overall problem of Southern Serbia has not been completely resolved, rather preconditions for its resolution have been created. The potential for the re-emergence of armed incidents cannot be ignored bearing in mind the current situation in the region. However, the resolution of the problem can become sustainable only when majority and minority living in Southern Serbia express willingness to jointly solve the problems they have and start to make effective use of the support of the international community.

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4 According to the CPIJM Survey conducted in April 2001, for Friedrich Ebert Stiftung, two thirds of Muslims in Sandžak feel as belonging to Bosniak ethnic group, while the rest declares themselves as Muslims, which is still official name for this ethnic group in FRY. Only 4% of Muslims in Sandžak think that they are Serbs pursuing Muslim faith.
In light of this need it is interesting to note that, the distrust Serbs continue to have in the international community has also been reduced to a certain extent. Even so, notwithstanding progress in cooperating with the international community, people in Serbia continue to voice concern over the situation in southern Serbia. The region is still not completely stable and the potential for occasional armed incidents, has meant that the people of Serbia are still divided on the issues of whether the leaderships of Serbia and Yugoslavia should use the police and army in southern Serbia.

Relative majorities of Serbs (45% against 37%) and Montenegrins (46% against 42%) agree that “terrorism” in southern Serbia should be rooted out by using military and police force. Absolute majorities of Bosniaks (54%) and Yugoslavs (51%), and a relative majority of ethnic Hungarians (49% against 27%) are opposed to such use of force.

Notwithstanding oscillations in the Serbian public on the use of force in southern Serbia to resolve regional problems, the majority view is that problems should be resolved in cooperation with the international community and is relatively stable. Almost two-thirds of all those polled in Serbia think that cooperation with the international community is the only way to resolve problems in southern Serbia successfully.

In October 2001, a year after the democratic changes in Serbia, a relative majority of those polled see the situation in southern Serbia as being better than during the Milošević era. But one-quarter of the sample think the situation is unchanged, and one-fifth that it is even worse now.

Although assessments of the situation in the region are better than during the conflicts in that area, the total number of those who see the situation as unchanged and those who think it is even worse is bigger than those who think the situation has improved – this indicates that fears of a potential renewal of hostilities. All in all, the attitude of a large number of the Serbian public towards Kosovo, southern Serbia and the threat of

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Figure 36: Will cooperation with the international community bring success?

**Figure 37: Whether or not to use the army and police to suppress “terrorism”?

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conflicts in Montenegro, inspired by their perceptions of ethnic Albanians, indicates that some people still think the ethnic strife in the region has not been finally resolved.

**Kosovo**

**Situation in Kosovo**

A relative majority of the Serbian public (43%) think that the democratic shift in Serbia has not resulted in any change in the situation in Kosovo. One-quarter of those polled even think that the situation is worse than during the Milošević era, and just 17% believe the situation in Kosovo has improved.

The attitude of the Serbian public towards Kosovo is also illustrated by opinions on the status of Kosovo. More than one-third (35%) believe Kosovo has been lost for ever, but a relative majority (42%) still do not agree with that view.

**Provisional constitutional framework for Kosovo**

The problem of Kosovo, which was for a long time overshadowed by internal political turbulence in Serbia and subsequently also the events in southern Serbia, hit the limelight again after the adoption of the Provisional Constitutional Framework for Kosovo. The framework was made public on behalf of the international community by the S.R.S.G. & head of UNMIK, Mr. Hans Haekkerup. Asked if the Serb side should accept it, less than one fifth of those polled said yes, while about equal numbers were against or undecided.

Serbs (43%) more than any of the others were against acceptance of the plan, while the Bosniaks (57%) and ethnic Hungarians (63%) were generally „undecided“. This finding is interesting having in mind that Constitutional framework for Kosovo has been enacted recently and that is can have far reaching consequences for the status of Kosovo. For this reason it is interesting to see what are the attitudes of citizens of Serbia towards it if it not possible to conduct a similar survey at the Kosovo. Absolute majorities among supporters of the opposition Serbian Radical Party (SRS), Party of Serbian Unity (SSJ) and Socialist Party (SPS) are against the document, a relative majority of DOS supporters are undecided, while those of the Serbian Renewal Movement (SPO) are very divided in their views.

The large number of “undecided” replies shows that people are either not sufficiently informed about the contents of the document or unable to gauge the consequences of its acceptance or rejection.

**Proposal for formation of two entities in Kosovo**

One proposal which attracted a great deal of media attention was that for the formation of two separate (Serb and Albanian) entities in Kosovo voiced by Serbian Deputy Prime Minister Nebojša Čović. Kosovo Albanians rejected it almost unanimously, citing various reasons, the crucial probably being a fear that Kosovo could be divided thus producing a Bosnia or Macedonia type of situation.

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In Serbia, however, a relative majority\(^7\) came out in support of the plan, but a large number remain undecided, which could mean lack of knowledge about the idea, or inability to assess its possible consequences.

A relative majority of Serbs (47% against 27%) think that the concept of two entities is good, while absolute majorities of Muslims (Bosniaks) (62%) and ethnic Hungarians (59%) gave no opinion. Absolute majorities of: DOS\(^8\) and SPO\(^9\) supporters and a relative majority of those of the SSJ\(^10\) accept the idea, while absolute majorities of adherents of the SPS\(^11\) and SRS\(^12\) reject it.

### Elections in Kosovo

The problem of Kosovo is made all the more tangible by the elections, which the international community plans to organise on November 17\(^{th}\) this year. The announcement initially provoked unanimous condemnation by all relevant political parties, who have said that the vote would be held in the absence of elementary conditions for fair and free elections. They also stated that there would be no security for non-Albanian voters, as a large number of displaced non-Albanians are unable to return to their homes and that the free democratic institutions needed for the election process (media, courts etc.) are lacking in Kosovo. However, the establishment of the Government Coordination Centre for Kosovo and, in recent weeks, synchronized publicity campaigns were launched by leading political figures in Serbia (federal President Koštunica, Prime Minister Đindić and Vice Prime Minister Čović) in order to register for elections, as many as possible non Albanians, including IDPs. In spite of the almost identical views of the situation in Kosovo, some differences existed among political parties in Serbia. The key issues being over either outright rejection of the elections or conditional support for them, based on a demand for signs of good will to be shown by the international community, proving that a start has been made on resolving the above mentioned problems efficiently.

If the issue is looked at in more detail, it may be seen that one side is headed by the opposition SPS and SRS, as well as some local leaders of the DOS’s Democratic Party of Serbia in Kosovo. This camp claims that the Serbs should not vote at the elections. The second group is made up of other DOS parties, whose view is that the elections are acceptable as long as the international community meets the basic demands which are not unacceptable to it or to the local Albanians. These differences decided the differences in regard to the registration of voters and later attitude towards the elections itself. The first group is against registration and elections altogether, while the latter was of opinion that voters should

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\(^7\) According to the May 2001 CPIJM Survey

\(^8\) Democratic Opposition of Serbia is the ruling coalition in Serbia, which is consisted of 18 political parties, among which the strongest are: Democratic Party of Serbia, led by Dr Vojislav Koštunica and Democratic Party run by Dr Zoran Đinđić. Coalition members are of different political orientations from right from the center to left of the center.

\(^9\) Used to be the strongest opposition party in Serbia, led in the populist style by Mr. Vuk Drašković; nowadays it is not represented in the Parliament.

\(^10\) Party of Serbian Unity, right wing party established by Željko Ražnatović Arkan, former leader of Serbian paramilitary formations fighting in Bosnia and Croatia.

\(^11\) Political party of he former President of Serbia and FR Yugoslavia Slobodan Milošević, being nowadays the strongest opposition party in Serbia.

\(^12\) Extreme right nationalist party led by Vojislav Šešelj.
register but cast their ballots only if the basic preconditions are fulfilled, which was subsequently confirmed by the joint Decision of the Governments of Serbia and FR Yugoslavia enacted on November 2nd inviting Serbs and other non-Albanians to turn out and vote. Subsequently this was followed by the release of the joint, electoral list of DOS candidates for Kosovo elections named “Povratak” (“Return”) on November 7th, underlying the idea of helping Serb IDPs to move back safely to their homeland through the electoral process. This implies an increased willingness for cooperation with the international community and UNMIK on the side of the more liberally oriented elements of the Serbian and Yugoslav political establishments, as well as the openness for taking part in the official institutions, which will gain legitimacy through the electoral process.

The importance of a clear-cut stance by the authorities for the behaviour of the public can be seen, from the example, in regard to the campaign for the registration of the Serbs. Before Yugoslav President Vojislav Koštunica, Serbian Prime Minister Zoran Đinđić, Yugoslav Parliament speaker Dragoljub Mićunović and Head of the Government Coordination Centre for Kosovo Nebojša Čović took part in the campaign, a very small number of Serbs were registered as voters. After the said politicians came out publicly in support of the action, no fewer than 170,000 people were registered, a figure far higher than the ethnic Albanians claim there are Serbs in Kosovo (around 100,000), but also less than the figure of 250,000 which the Serbs claim for their total number in Kosovo.

Attitudes towards the elections in Kosovo have caused tremors on the Serbian political scene, but the ruling DOS and the Serbian and federal governments have nevertheless joined forces in backing the elections. This decision was certainly partly the result of pressures, but also promises from the international community that Serb participation in the ballot would not prejudice the future status of Kosovo, and that additional efforts would be invested in protecting Serbs and other non-Albanians in Kosovo. The result of negotiations with the international community is the “Common Document on Cooperation between Yugoslav Authorities and UNMIK”, which could be a step in the direction of absorbing some of the dissatisfaction of the Serbs.

On the other hand, Belgrade’s decision to call the Kosovo Serbs to vote at the coming elections was rejected by many local Kosovo Serb leaders, who called for a boycott. The influence of local leaders, particularly in the Serb part of Kosovska Mitrovica, considerably reduced the number of Serb voters, but their overall turnout was relatively high.

At the Kosovo Parliamentary elections turnout was 64,3% of registered voters (1.249.987 voters). The best score was achieved by Democratic Alliance of Kosovo, led by Ibrahim Rugova with 45,6% of total votes, i.e. 47 MEPs out of 120. Second best result has been achieved by Democratic Party of Kosovo, led by Hasim Taci with 25,70% of votes and 26 MEPs. Serbian coalition won 11,34% of votes, which will bring it, together with previously, earmarked 10 seats in the Parliament, total of 22 MEPs. Alliance for the future of Kosovo led by Ramussa Haradinaj won 7,83% of votes or 8 seats in the Parliament.

Rest of the parties, i.e. Popular Movement for Liberation of Kosovo, Albanian Christian Democrats, Justice Party and National Party of Kosovo won 1 MEP each.

As for other minority parties, Bosniak coalition "Vatan" has won 4 MEP (out of which 3 have been awarded automatically), Turkish Democratic Party of Kosovo won 3 MEP (out of which 2 have been awarded automatically). Party of Democratic Action has won 1 MEP. Other political groupings representing minorities will have remaining 5 MEPs.
It is to be expected that this elections will be one of the steps towards normalization of the circumstances in Kosovo and that Serbs and Albanians through their political representatives will gradually start the process of relaxation of the inter-ethnic tensions. Judging by the developments related to the elections it is to be expected that official Belgrade will continue the policies of cooperation with international community pursuing constructive approach to overcoming the Kosovo related problems.

What Status for Vojvodina?

Autonomy for the province of Vojvodina continues to be one of the most topical political subjects in Serbia. Compared with March 2001, the number of those favoring autonomy has grown a little (by 4%), but status quo continues to be the dominant choice\(^\text{13}\) (although this figure has slipped by some 7% from that in March)\(^\text{14}\).

National minorities (except Romanians) favour expanded autonomy, those declaring themselves as Yugoslavs are divided on the issue, while most Serbs and Montenegrins think the current level of autonomy is enough.

Bigger autonomy has above-average support among white-collar workers and professionals (42%) and self-employed persons (38%), although in both groups the status quo choice is still prevalent.

Note: The remainder of the 100%, are „don’t knows”.

\(^\text{13}\) According to the CPJM Survey, May 2001.
\(^\text{14}\) Information related to the sample covering the whole of Serbia.
The people of Vojvodina on Vojvodina’s status

Views about Vojvodina’s status voiced by those who live in its regions (Bačka, Srem and Banat) differ from those heard elsewhere in Serbia. While there are absolute majorities in all other areas having preference of the current level of autonomy, in Vojvodina there are majorities in all regions favoring expanded autonomy.

Compared with March this year, the only significant change is a major rise (16%) in the number of those living in Banat who favor broader autonomy, attended by a corresponding drop in the status quo figure (by 14%).

Vojvodina: Political Party Positions

Vojvodina continues to hold center stage for another reason: there is no consensus in the ruling DOS on its future status or even whether it is a priority question at all. DOS supporters are also divided on the issue, in contrast to those of the opposition parties, where an absolute majority favors the current level of autonomy. A relative majority among those who back the SPO think expanded autonomy is needed, but adding up those who favor abolition of autonomy with the status quo figure results in a combined figure against expansion of autonomy.

Adding up those among DOS supporters who favor a status quo with those who would abolish autonomy on the one side, and on the other those who want greater autonomy or a status of republic, results in a narrow majority opposed to broader autonomy. This conclusion indicates a possibility of even greater strife inside the DOS around this issue – the supporters of the various DOS parties who are divided only reflect their parties’ views.
Serbia-Montenegro Relations

A year after the political changes in Serbia, the question of the relations between Serbia and Montenegro has not only not been resolved, but there has not even been success in agreeing how it should be tackled, given the differing views of the authorities of the two republics.

In contrast to Montenegro, where a narrow majority supports parties advocating a fully independent Montenegro or a confederation of independent states, in Serbia an absolute majority supports a federal model of organisation. Among them, some 30% think the federation should be reorganised to ensure full equality for the two republics, while less than one-quarter think the existing model is good and should not be changed. One out of five in Serbia think the two should be independent, internationally recognised states, while 17% champion an alliance of independent states – a confederation.

If we add up those supporting the federal model on the one side, and those who advocate independence and a confederation on the other, in October the former have 54% of the total and the latter 37%. This result represents a decline in support for the federal option, which was in March 64%, against 29% for the latter models.

In the group supporting the federal option, there were 7% more in favour of a reorganised model, and 3% more for the existing one, while on the other side there were 7% less in favour of independence. The number of those supporting a confederation and undecided were about equal in October and in March.

Referendum on the State Status

If a referendum on the status of Serbia and Montenegro were to be held now, an absolute majority of the people of Serbia would support a federation – a joint Serbian-Montenegrin state.

In contrast to the situation where the people are offered the four options listed above for reorganising relations, the ratio of pro-federation to pro-independence supporters shifts towards the pro-federal group when just two options are offered:

1. a federation, a single Serbia-Montenegro state, and
2. two independent and internationally recognised states.

In that case, the balance of opinion would be 57% to 30%. This means that when just two options exist, there would be 3% more supporters for the federal one, and 7% fewer independence supporters.
This difference explains why the Montenegrin authorities are advocating an alliance of independent states while the authorities in Belgrade are insisting that such a model is out of the question. The authorities in Montenegro obviously think advocating this model will win them some of those not firmly supporting a federation and the undecided group. Belgrade wants to prevent this from happening, saying that only after a Serbia-Montenegro separation will Serbia decide if it needs an alliance with any other state and if Montenegro is first on the priority list.

Farmers (73%), pensioners (71%) and housewives (68%) support the federal model over and above the average, an absolute majority of self-employed persons (53%) support two independent states, while professionals are divided (44% in favour of the federation and 41% for independent states).

Viewed according to political affiliation, the only absolute majority in favour of two independent states are supporters of the Democratic Party (DS), backers of the rest of the ruling DOS (except the DSS) are divided, while among others absolute majorities favour the federal model: 85% of SPS supporters, three-quarters of SSJ backers, two-thirds of DSS and SRS supporters, and absolute majorities among SPO backers and election abstainers.

The differences between most supporters of the DS and other parties should be viewed in the context of the rivalry which exists between DS leader Zoran Đinđić and DSS head Vojislav Koštunica, the latter of whom has assumed the key role in the process of redefining relations and firmly supports the federal option. Although Djindjić himself also backs the federal option, his support for the federation is not vigorous, and he does leave room for other options if it should prove impossible to save the federal state.

If the Đinđić-Koštunica conflict were to lead to an open split in the DOS over the future relations between Serbia and Montenegro, the decline of public support for the federal state should be expected to continue. However, if the DOS were to unite in backing the federal state and launch a campaign to that effect, support for the federation would certainly grow and most probably reach the levels recorded in the spring of this year, when two-thirds of the population backed it.

Negotiations on the Future Serbia-Montenegro Relations

Although it seemed after the recent meeting of the Supreme Defence Council in Podgorica (attended by the Yugoslav president and other representatives of the federation) that the talks about the future Serbia-Montenegro relations would
begin soon, this has not happened. The Montenegrin authorities refused to take part in talks attended by the federal prime minister or any other representative of the federation, while the Yugoslav president insisted on that participation.

The Montenegrin official view is that the talks should be attended by the governments of Montenegro and Serbia including Koštunica, not in his capacity as the federal president but as the title name on the DOS list, which won the elections in Serbia. On the other side, the Yugoslav president continues to insist on the participation in the talks of representatives of the federal authorities.

There are considerable divisions in the Serbian public on the issue of the participants in the talks. A relative majority thinks that besides the republican representatives, the talks should also involve the federal president and the prime minister, as president Koštunica continues to insist.

But if we add up those who think only the republican authorities should attend and those who advocate that the federal president should join in – options which are both acceptable to the Montenegrin authorities – the total number would be roughly identical to those who support Koštunica’s position.

There is also a noticeably large number of respondents who cannot or will not offer their views on the subject.

Apart from DS supporters, among whom a relative majority believes only the republican authorities should take part in the talks, among all others relative minorities (among SPS supporters an absolute majority) think that federal representatives should also attend, as proposed by Koštunica.

The most frequent arguments for the participation of federal officials in the talks are: the legitimacy of the federal state and the need for all interested parties to be represented, while among those who are against federal participation most people say the talks would thereby be “easier, and more successful”.

The other problem of the inter-republican negotiations would be their agenda. In contrast to the pro-Yugoslav bloc (the DOS and the Montenegrin “Together for Yugoslavia” coalition), who are calling for talks on redefining relations within a federal framework, the Montenegrin authorities (the pro-independence bloc, which includes the Liberals and minority ethnic Albanian and Moslem/Bosniak parties) wants to discuss the manner in which Montenegro will divorce Serbia. Therein lies the essence of the problem.

All this has led to assessments in the Serbian public of the Serbia-Montenegro relations being identical to those existing during the Milošević era (41%) or even worse (39%). Only 7% think those relations are better than during the Milošević period.

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The political crisis in Montenegro created after the elections (which showed the existence of a sharp division in Montenegro in regard to the relations with Serbia: Out of 444,000 registered voters the political coalition “It is the Victory of Montenegro” led by President Milo Dukanovic gained 153,946 votes, whereas coalition “Together for Yugoslavia” won 148,513 votes. When the votes in favor of independent Montenegro are put together, i.e. including the votes of the Liberal Party as well as those of the parties representing ethnic minorities, the figure increases up to 195,000, while combined score of pro-Yugoslav bloc come up to 167,000. Out of 77 MEPs in Parliament of Montenegro “It is the Victory of Montenegro” has 36; “Together for Yugoslavia” has 33, Liberals have 6 MEPs, while two parties representing Albanian minority have 1 MEP each.) could be overcome only if the two blocs (the pro-independence one made up of the DPS, SDP and LS CG and the pro-Yugoslav group consisting of the SNP, NS and SNS) join efforts in finding a generally acceptable way out of the crisis.
The pro-Yugoslav coalition in Montenegro has adopted, together with Serbia’s ruling DOS, a document outlining a joint platform for a constitutional reorganization of the FR of Yugoslavia. While Montenegro’s (ruling) pro-independence group isn’t united – the Victory for Montenegro coalition (DPS plus SDP) is committed to an alliance of sovereign states, while the LS CG keeps insisting on outright independence.

Events in the region aren’t helping the cause of the pro-independence bloc, in particular the recent violence in Macedonia. This threat is regularly highlighted by the political opposition, which lists it as one more reason why Montenegro should remain in a community with its much larger partner Serbia.

It is clear that the perception of the Albanians as a disruptive factor in the region, spread not only by the Montenegrin opposition, but also most media and political parties, is also very widespread in the Serbian public. This is evidenced by the finding that over two-thirds of all those polled in Serbia (68%) believe discontent of the ethnic Albanians will eventually lead to a conflict in Montenegro.

The position of the international community also goes against the drive for a unilateral declaration of independence. On top of this, even if a referendum were to result in a pro-independence vote, the majority would probably be very slender, while the two-thirds majority needed for parliamentary ratification (according to the Constitution of Montenegro) of the will of the people simply does not exist in September 2001.

On the other hand, although it is united in its pro-Yugoslav stance, platforms and ideologies differ widely within the opposition bloc, which is therefore not as solid as it might appear. The differences between DOS and the SNP in regard to Yugoslavia’s cooperation with the ICTY have weakened the pro-Yugoslav bloc and resulted in a decline in the number of those in Serbia who favor a joint state from the figure recorded before the DOS-SNP disagreement of coalition partners. The latest surveys indicate that between 56% and 59% favor a joint state. This trend is also partly the result of the divisions within DOS itself, which, if they continue to widen, could further reduce the popularity of the Yugoslav option, especially if one of the two factions inside DOS were to start pushing for an independent Serbia.

As things stand at the moment, the conflict between the pro-Yugoslav and pro-independence blocs can be resolved by the organisation of a referendum in Montenegro, and even one in Serbia, although a clear pro-federation mood still exists in Serbia. Should that happen, together with agreement of the two blocs, the results of a referendum would obligate everyone to arrive at a solution which would respect the will of the people, whereby the situation in Montenegro, as well as Belgrade-Podgorica relation, would be stabilised. But if a referendum is called and implemented unilaterally, that could aggravate both relations inside Montenegro and those with Serbia, which would only serve to impede reforms in both republics and additionally destabilise the region.

Taking into account all of the above – the facts that a narrow majority in Montenegro favours independence, that a majority in Serbia supports a communal state, and that the international community wants a “democratic Montenegro within a democratic Yugoslavia”, but also the fact that the political elites are at this moment in time not ready to reach a compromise – we could at least expect agreement on the organisation of referendums. After those results become evident, it would only remain for the political elites to accept reality and find a political solution. It could be a community, which would among other things have a single international subjectivity (one seat in the UN), i.e., an integrated foreign policy and foreign economic relations, but could at the same time respect the fact that Montenegro has already assumed almost all others attributes of sovereignty.
Can this be done without a referendum? Certainly, but with one it would be easier, because a result in Montenegro clearly showing the divisions, which exist there could serve as a basis for changing the current advocacy of independence. In other words, the Montenegrin authorities, which so far have done everything possible in favour of independence, would under pressure of the results of the might temporarily forgo independence and reach agreement on a model of two states within a federal framework.

All in all, relations between Serbia and Montenegro will be at the focus of public attention at least until the end of this year or the first part of 2002, by which time, the two sides representing different views on political future of the country should have succeeded in reaching either a consensus or at least agreement on a procedure to overcome the existing crisis and a present deadlock in solving this crucial issue.
Macroeconomic and Financial Stability

Within the Federal Republic of Yugoslavia the democratic changes, which took place in October 2000 created the necessary preconditions for Serbia’s return to the world. The will of the people was confirmed at the republican elections in late December, and the reform programme was launched at the end of January this year. What was the legacy, which the new government inherited? Over the past ten years the state had been brought to the brink of economic collapse. The country had been excommunicated from the world community and the most important international organisations and institutions. The new authorities inherited a country with major internal and external imbalances and gross structural problems. Inflation recorded three-digit annual rates although 60% of all prices were controlled (with major price disparities as a result). Powerful pressure was exerted by the enormous budget deficit (some 13% of the GDP) and a non-transparent tax system (a large public debt). Monetary policy, as well the entire finance system, served the needs of the political oligarchy, resulting in enormous bad debts in the banking system (bad loans), and unhealthy partnerships with mainly inefficient and uncompetitive firms. The government inherited a foreign debt of about 12 billion US dollars. Unemployment reached unprecedented heights (officially 27%, with at least another 15% representing labour surpluses). Corruption was rampant at all levels. Parallel rates of exchange were an everyday occurrence, as were numerous quota limitations in foreign trade.

The reforms, officially launched by the new republican government in February, are founded on the restoration of order to public finances. There is a strong will to continue with this approach (a transparent budget, a clearly expressed budget deficit with no external positions, a clear break with inflationary budget financing sources). Prices have been liberalised and disparities eliminated (except for electricity and utilities), and the growth of prices is expected to slow down in the coming period (a figure of about 40% is expected for 2001, and less than that in the next year). Foreign trade has been liberalised and most quotas lifted. The national currency has been stabilised and the parallel rates of exchange eliminated; a stable and realistic exchange rate can be expected to remain effective. A privatisation law has been adopted which makes privatisation obligatory and offers prospective foreign investors a clear opportunity to take part in the development of a market economy with dominant private ownership. A reform of the bank sector has been launched. Last, but not least, the country has been re-admitted into the most important international financial organisations, and an inflow of capital has begun (for the moment still mainly in the form of donations and “soft” credits).

Since the last issue of the EWS, several events have affected the pace of the reforms (in the short as well as long run). The first is the clear signal of cooperation given to the ICTY at the Hague, whereby success at the donor conference held

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15 Data for M1, public revenue and foreign debt refer to the overall Yugoslav economy. The source for Figures 47 and 49 is the Federal Statistics Bureau, and for Figures 48 and 50 the monthly bulletins of the National Bank of Yugoslavia (NBY).

16 A 24 fiscal-law Package was adopted by the republican parliament in April this year, when the new budget was also presented, the maximum permitted budget deficit level of 3% of the GDP at annual level set, and the levels and structures of both income and expenditure defined.
in Brussels was assured. The second is the privatisation law. The third is the conclusion of a succession agreement freeing some 160 million dollars’ worth of so-called “Basle gold” for Yugoslavia. The fourth is a stand-by arrangement granted by the IMF, and a donation of 30 million dollars from the World Bank. The fifth is the revocation by the National Bank of Yugoslavia of operating licences of seven local banks, and the issuance of licences to two Austrian banks (RZB and Bank Austria). The sixth is a crisis in the federal government (cuts as well as cadre changes). The seventh is the flare-up of the crisis in neighbouring FYROM (Macedonia), with potential ramifications for the entire region.

A great deal has been done to create the necessary prerequisites to ensure growth and development in the longer term, including an expected increase of the GDP of about 5% in real terms in 2001. However it cannot be said that the following changes have been unexpected in the first seven months of the year, namely: a drop in industrial output and foreign trade, the forecast rise in retail prices and an increase in real-term personal incomes (created as a result of the initiated painful structural changes on the one hand, but also the accomplished stability on the other).

Industrial production in the January-July 2001 period was some 3.1% less than that recorded in the same period of 2000. Commodity exports in the same period of 2001 were 3.4% higher and imports 19.7% more than those in the same period of last year. Exports to the industrialised countries rose by 17.5% in the said period.

The overall rise in retail prices in the said period (viewed against the end of 2000) was 27.7%.

Industrial output in July 2001 was some 9.7% less than that in the preceding month (the drop in central Serbia was 4.2%, and in Vojvodina it was 11.9%), and 6.2% lower than that in July 2000 (8.4% lower in central Serbia and 0.8% lower in Vojvodina). The July output was 10.5% lower than the monthly average recorded in 2000.

Output in the processing industry dropped by 14.3% month-on-month, while an increase of 6.7% was recorded in the electricity, natural gas a water production and distribution sector, as was a rise of 13.9% in the mining and quarrying sector.

The capital goods sector achieved a rise in output of 1% in July against June this year; while declines were recorded in virtually all other sectors: raw materials and semi-manufactures fell by 5.2% and consumer goods by 16.5%. No fewer than 21 branches recorded drops: leather and furs headed the list with a fall of 46.8%, followed by iron and steel (43.9%), oil derivatives (36.0%), food products (31.4%), finished textile products (24.7%), lumber and plate production (18.6%), wood final products (18%) etc.

Twelve branches achieved production growth in July. Shipbuilding headed the list with a rise in output of 37.0%, followed by stone, gravel and sand (24.4%), coal (23.8%), non-ferrous metals (13.7%), beverages (10.4%) vehicles and rolling stock (8.5%) the electrical industry (6.7%) etc.

Output fell in the first seven months of 2001 compared with the same period of last year in capital goods by 10.6%, raw materials and semi-manufactures by 3.4% and consumer goods by 1.8%. Output fell in Serbia’s two most important branches (seen by their share in the overall industrial production): the electric power industry by 4.6% and food production by 9.9%.

In that period some 14 branches improved their results: oil derivatives by 70.2%, non-ferrous metals processing (15.6%), chemical products processing
(12.1%), textile yarns and fabrics (11.9%), finished textile products (11.6%), basic chemical products (7.0%), wood final products (6.0%) etc.

Viewed by regions, in the January-July period of 2001, viewed against the same seven months of last year, production in central Serbia declined by 6.6%, while it grew in Vojvodina by 5.1%. This last figure is to a large extent the result of the rises in the output of oil derivatives, basic chemical products, chemical products processing and others.

The problem of the sale of industrial products is getting bigger; to which stocks figures can testify. Finished products stocks in the industry were 33% bigger in July 2001 that in July 2000. Stocks of raw materials and semi-manufactures were 5.2% higher and consumer goods 2.4% higher, while those of capital goods were 3.3% lower.

Foreign trade trends are not up to expectations: exports in July were down 4.7% on June, and imports were down 12.3%. Viewed against July last year, overall commodity exports were 9% lower and those to the industrialised countries 6.9% lower.

Exports in the January-July period totalled USD 922 million (of which central Serbia accounted for 637 million and Vojvodina for 285 million) exceeding the offer in the same months of last year by 3.4%. Imports grew by 19.7% and totalled USD 2,425 million (central Serbia 1,601 million and Vojvodina 824 million dollars).

The significant differences between the values of realisation and procurement from foreign markets affected the rise of the balance of payments imbalance to a figure of USD 1,503.1 million. The industrialised countries’ share in the deficit structure was 42.7%. The average cover of imports by exports was 38%, some 6 structural points less than in the same period of last year (the problem lies both in the impossibility of boosting exports in the short term and in the high level of import-dependence of the Serbian economy). Some 22% of the global imports were energy raw materials and fuels, which is logical given that we are dealing with high-priority products needed to improve the situation in the energy sector.

The best export results (a 34.7% rise) were recorded by the equipment sector. The dynamic growth of the consumer goods exports (9.7%) was realised in a situation of diminishing significance of raw materials and semi-manufactures in the structure of the global offer by 3.9%. All sectors recorded dynamic growth of imports: consumer goods by 33.9%, raw materials and semi-manufactures by 18.4%, capital goods by 13.1%.

Foreign currency reserves are growing steadily and reached a figure of USD 930 million in August.

Exports to the industrialised countries grew by 17.5%, but those to the developing countries fell by 36.2% and to the transition economies by 3.2%. Some 39.4% of the overall commodity exports went to the leading European Union countries (Italy, Germany, Greece, France and United Kingdom).

In July the real-term foreign exchange rate of the dinar (the ratio of domestic and world prices expressed in the local currency) fell further, by an-
other 1.9%. It was an effect of a rise of the prices on the domestic prices (by 2.4%) and depreciation of the nominal exchange rate of the dinar (by 0.4%) The monetary and foreign exchange system continues to function according to a quasi currency board model, with the nominal rate of the dinar still pegged to the German mark at a rate of 30:1 (with minimal fluctuations). Hard currency stocks have reached a value of almost one billion dollars, which gives additional credibility to the existing monetary and foreign exchange policies. In line with the IMF’s recommendation of a managed floating regime, the controlled policy is expected to be loosened somewhat by the end of the year.

The situation on the commodity and services market is marked by diminished instability. The moderate retail price growth in the first quarter (2.5% monthly average), higher growth in the second (5.0% monthly average) and slowdown to 2.4% in July are the main characteristics of the price trends in the January-July period of 2001, when the overall retail price rise was 27.7% (a monthly average of 3.5%).

In the overall figure for July, commodity prices grew by 1.7%, and those of services were up by 5.2%. Detailed data show that the month-on-month rise was mainly the result of hikes in the price of tobacco products and telephone rates. Fuel and sugar price rises also influenced the retail price growth figure. Seen structurally, the overall price growth in July was a result of increases in the retail prices of industrial products (1.8%), while agricultural produce prices continued to fall (1.6% – this decline was mainly the effect of seasonal factors).

The overall increase in the producer prices of industrial products (January-July) was 23.2%, where consumer goods prices grew by 28.6% and raw materials and semi-manufactures by 18.6%, while equipment producer prices rose much less (2.5%).

Wholesale prices in July against June rose by no less than 5.0%, while prices in the catering trade were up just 0.6%. Viewed against December 2000, wholesale prices were up by 21.7% and those in the catering business by 32.1% (1.9%).

Figure 48: Foreign Exchange Rates

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Public revenue collected in the first seven months of 2001, according to data from the Accounting Service, was 150.6 billion dinars. This represents a nominal rise of 137.7% against the same period in 2000, but a real-term fall of 8.9% (thanks also to improved collection discipline, i.e., the effects of the fiscal policy measures). Public revenue destined for budgetary expenditure grew by 138.8% in nominal terms, and by 9.3% in real terms, while the revenue collected by the social security services was up 135.9% in nominal terms and up 8% in real terms.

The total public revenue collected in Serbia in July 2001 was 27.8 billion dinars, nominally up by 16.8% from June (23.8 billion) and up by 14% in real terms. The share of the budget in the structure of gross receipts grew negligibly (65.5% in June and 65.9% in July). Total public revenue earmarked for budget spending in July 2001 was 18.3 billion dinars, up 17.4% on June in nominal terms and up 14.7% in real terms. Social security funds’ revenue in July was 9.5 billion dinars, in nominal terms up by 15.5% on June and a rise of 12.8% in real terms.

Taxes continue to be the main source of income for the budget; they accounted for some 67 billion dinars in the first seven months of 2001. Commodity sales taxes of 4.6 billion dinars in July made up 25.2% of the budget income; this represented rises in nominal terms over June of 2.5% and in real terms of 0.1%. Income taxes and corporate taxes made up 21.8% of the overall budget income. In the said seven months some 8 billion dinars were collected from excise duties, 2.1 billion of this was in July.

The M1 money supply figure stood at 38.9 billion dinars late in July, a rise of about 27% from April. This trend allows remonetisation to continue; it is mainly the result of a gradual return of the money supply to the official cash flow channels. Late in July, the share of cash money in the overall money supply figure had grown to about 33% (Table 8).

The discount rate of the NBY was set at a monthly level of 1.9% in June and July. A major problem persisting since the first EWS issues is the interest rate policy – “expensive” money. The relative political stabilisation and the first reform steps taken by the new government have resulted in a further diminishing of the spread (difference between the active and passive interest rates – Table 9). The key factor here is the restructuring of the bank sector, where the action plan contains several segments. Three independent studies on the direction in which the sector needs to be restructured have been completed; the choice of the one on which the
reforms will be modeled is expected to be made in the coming months. Secondly, several banks have been closed on the basis of audit results, and thirdly, the door to foreign banks has been opened.

Interest rates on commercial paper and certificates of deposit remained at a monthly level of about 5% in July (Figure 50). This is still far above the average monthly rate of inflation; more time will be needed to lower them by strengthening the financial system’s credibility.

The Parliament adopted the Law on Privatisation on June 27. The process has been initiated of selecting the financial and legal advisors for the first tenders for 16 enterprises to be privatised late this year and early in 2002.

Table 8: Money supply (millions of dinars, late in the period)

<table>
<thead>
<tr>
<th></th>
<th>M1</th>
<th>Cash money in circulation</th>
<th>Deposit money</th>
<th>Money base</th>
<th>M2</th>
</tr>
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<tr>
<td>1990.</td>
<td>5.7</td>
<td>2.5</td>
<td>3.2</td>
<td>3.0</td>
<td>8.6</td>
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<td>1991.</td>
<td>19.5</td>
<td>6.9</td>
<td>12.6</td>
<td>13.1</td>
<td>26.2</td>
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<td>1992.</td>
<td>1233.1</td>
<td>458.3</td>
<td>774.8</td>
<td>759.9</td>
<td>2403.8</td>
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<td>5.2</td>
<td>130.3</td>
<td>89.9</td>
<td>496.0</td>
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<td>1073.8</td>
<td>1361.3</td>
<td>1331.0</td>
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<td>1444.9</td>
<td>1811.2</td>
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<td>2956.8</td>
<td>2538.5</td>
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<td>9786.5</td>
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<td>1997.</td>
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<td>4716.4</td>
<td>4431.6</td>
<td>6499.4</td>
<td>15626.5</td>
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<td>5050.8</td>
<td>5756.5</td>
<td>7171.2</td>
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<td>6688.3</td>
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<td>6617.2</td>
<td>10894.9</td>
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<td>12396.6</td>
<td>10412.5</td>
<td>34394.1</td>
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<td>11445.5</td>
<td>35248.8</td>
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<td>July</td>
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<td>7919.4</td>
<td>13646.6</td>
<td>12496.0</td>
<td>38908.4</td>
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<tr>
<td>August</td>
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<td>9148.8</td>
<td>14813.9</td>
<td>13797.9</td>
<td>42151.8</td>
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<tr>
<td>September</td>
<td>23190.8</td>
<td>9026.4</td>
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<td>14084.0</td>
<td>43653.5</td>
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<td>8755.5</td>
<td>14781.7</td>
<td>14580.3</td>
<td>45159.6</td>
</tr>
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<td>November*</td>
<td>25766.4</td>
<td>9172.2</td>
<td>16594.2</td>
<td>16947.2</td>
<td>37175.9</td>
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<td>December**</td>
<td>26954.0</td>
<td>10932.2</td>
<td>16022.0</td>
<td>19845.0</td>
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</tr>
<tr>
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<td>9906.8</td>
<td>16355.0</td>
<td>18525.0</td>
<td>32089.0</td>
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<tr>
<td>February</td>
<td>26580.0</td>
<td>10418.5</td>
<td>16161.0</td>
<td>18380.0</td>
<td>32496.0</td>
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<td>11257.5</td>
<td>17618.0</td>
<td>19907.0</td>
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<td>12362.3</td>
<td>18277.0</td>
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<tr>
<td>May</td>
<td>32364.0</td>
<td>13544.0</td>
<td>18820.0</td>
<td>22522.0</td>
<td>39075.0</td>
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<td>June</td>
<td>36591.0</td>
<td>14318.4</td>
<td>22273.0</td>
<td>25019.0</td>
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<tr>
<td>July</td>
<td>38927.0</td>
<td>15015.0</td>
<td>23912.0</td>
<td>25518.0</td>
<td>46052.0</td>
</tr>
</tbody>
</table>

* From November 2000, the date cover only Serbia.
** From December 2000, data calculated according to new (IMF) methodology.
There are still no significant changes in the process of restructuring firms. The political and economic challenges facing Serbia in the next few months are numerous. The political issues include the relations and patience existing in and among the parties assembled in the ruling Democratic Opposition of Serbia (DOS) coalition, the resolution of the problem of the relations in the Yugoslav federation, the situation in Kosovo, and a potential escalation of the crisis in Macedonia, with possible consequences for neighbouring countries. The foreign relations issues include continued cooperation with the Hague tribunal, an issue which could considerably influence the readiness of the creditor countries to treat our debts to the Paris and London clubs in the most favourable manner possible. On the economic plane, we should mention the arrival of the coming installments of the IMF’s stand by arrangement, which is directly linked to the dynamics of the reforms, where there are several key issues. They include keeping public finances healthy, a transparent realisation of the first privatisation tenders and initiation of private entrepreneurship, a revitalisation of the banking sector and liberalisation of the financial market, continued eradication of disparities, especially in the price of electric power (a rise of 15% planned for October, followed by fresh steps in the direction of world prices next year). They also include the dynamics of the realisation of the promised donations and “soft” credits, and resisting pressures to return to a populist policy, as well as continuing the struggle

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18 At the time this report has been in print, at the meeting with Paris Club on November 16th, 2001, it has been agreed that FR Yugoslavia will benefit from the 66% debt write off (more than three billion USD), while remaining part will be paid during the next 22 years with the grace period of six years.
against corruption and revitalisation of interest groups dating from the former regime.

Clearly a great deal has been achieved in the period since October 5 last year, but the real challenges are yet to come. Yugoslavia has exceptionally rapidly returned to international organisations and institutions and fulfilled all procedural and essential conditions. Within the Serbian economy price and exchange rate stability have been accomplished (the core inflation is 15% at an annual level, while the remainder up to the 30% figure is the result of the elimination of price disparities). Serious structural reforms have been launched in Serbia – in public finances, the development of the private sector through the new privatisation law, the liberalisation of the foreign trade regime, reform of economic legislation. Not enough has been done to eliminate remaining obstacles to the development of small and medium-sized businesses. There is also little visible progress in the reform of the judiciary, especially as regards the simplification of procedures, regulations, the rate of enforcement of verdicts etc. The banking system is yet to see serious moves in the direction of restructuring, but it also possible to say that more could already have been done in that sector. The process of restructuring the real economic sector (enterprises) is yet to begin. Nevertheless, having in mind the experiences of other transition countries, we can say that in the first year of transition comparatively more has been achieved in Serbia than in the other countries at the start of their reforms, and that by applying a comprehensive reform package, Serbia was one of the few countries in transition to have achieved a positive growth of its GDP in the first year of its transition.
Employment and Labor Market

Employment and Unemployment Trends

In the second half of 2000 and first half of 2001, employment in the social sector continued the decline that had characterised it in the past decade. Compared with June 2000, in June this year the workforce in the socially-owned sector had diminished by over 41,000. Given that since the mid-1990s the average annual employment fall in the sector had been about 50,000, the trend from June last year (when the first report was drafted) until April 2001 continues the tendency begun years ago. The biggest declines in the employment figures in the socially-owned sector were recorded in the June-August 2000 period, November 2000-January 2001 period and April-June 2001 period.

Unfortunately, monthly employment figures in the private sector and small enterprises do not exist. But it is difficult to believe that trends here could completely annul the effects of those in the much bigger social sector. However, given that the reduction of the employment in the social sector in 2000 against 1999 was less than in the previous years and not much greater than the average annual rise in employment in the private sector, which varied in the range from 14 to 40 thousand on the annual basis, during the last years, it is possible to assume that the overall fall in employment figures is relatively small.

A change in the classification of activities used by the Federal Statistics Bureau means it is not possible to compare employment by economic activity in the periods before and after January 2001. Up until that month, almost one-half of the employment fall in the social sector was recorded in industry and mines. But in relative terms the decline was even bigger in the agriculture and related activities, well in financial and other services. Employment grew only in the crafts sector, the urban utilities, the health sector and social welfare (Table 10 and Figure 53).

Under the new classification system, in the January-June 2001 period, the biggest relative drop in employment in the social sector was recorded in the construction business, financial services and other utility.

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19 Socially owned sector is a term describing the enterprises which are not private nor state owned. This is peculiar and obsolete ownership concept which was introduced in former Yugoslavia in 1970s. The term should not be mistaken with social or third sector.
social and personal services, while real estate and renting recorded higher employment figures (Figure 54).

More significant changes in the employment figures can only be expected to take place after the adoption of a new Labour Act, which is currently being considered by the Parliament of Serbia. The law is intended to liberalise relations on the labour market, and could help significantly reduce employment in those parts of the social sector which had previously tolerated under-employment and labour surpluses, but also stimulate the registration of those employed by the gray economy and the private sector.
In contrast to employment, unemployment has grown significantly since June 2000. Registered unemployment figures had grown by 52,500 by July 2001. Except in the September-November 2000 period, when unemployment dropped, in all other periods the jobless rate rose, especially in the November 2000-February 2001 period.
2001 and February-April 2001 periods; in the past six months unemployment growth has been somewhat slower.

Registered unemployment figures can be expected to continue to grow, given the state of the economy and the efforts of the authorities to take social policy out of the workplace.

The structural characteristics of unemployment show no tendency to change. The share of women among the jobless swings between 56.4% and 57.0%, which means that unemployment among women continues to be far higher than among men, as women make up less than half of the workforce. The percentage of first-time job seekers in the jobless figures is almost unchanged, at around 62%.

Figure 55. Registered unemployment

All elements which should indicate trends in labour supply and demand (such as the number of job vacancies, employment, the number of workers whose permanent employment status has been terminated and similar) point to a total lack of flexibility on the labour market. Their fluctuation is small and numbers negligible, when compared with the employment and jobless figures, so that monitoring those parameters cannot yield the expected results (Figure 56).

The number of persons receiving unemployment benefits varied in the course of 2000 between 45,600 and 48,200, and exhibited a growth tendency in 2001. In the past few months there has been a significant rise, and in July 2001 their number exceeded 53,000. But their share in the overall unemployment force is very small, just 7%. Changes in labour laws, the launch of the privatisation and restructuring processes and the resulting fluctuations on the labour market can be expected to result in a large increase in the number of those needing and entitled to receive these benefits.

The structure of unemployment figures viewed by the length of the period of waiting for a job has not changed significantly, and neither have most other structural unemployment characteristics. Almost one-half of all jobless have been waiting for a job for more than five years, and might almost be considered as permanently unemployed. The expected continued growth of unemployment calls for active policy measures targeted at this segment of the employment-seeking population (Table 11 and Figure 57).
Figure 56: Some elements of supply and demand on the labour exchange

Table 11: Unemployment by time of waiting for a job.

<table>
<thead>
<tr>
<th>Time of Waiting</th>
<th>June</th>
<th>September</th>
<th>November</th>
<th>February</th>
<th>April</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 1 year</td>
<td>175920</td>
<td>180231</td>
<td>178181</td>
<td>189815</td>
<td>198617</td>
<td>208901</td>
</tr>
<tr>
<td>from 1 to 3 years</td>
<td>196578</td>
<td>202864</td>
<td>202847</td>
<td>206842</td>
<td>207541</td>
<td>204677</td>
</tr>
<tr>
<td>from 3 to 5 years</td>
<td>111276</td>
<td>112060</td>
<td>111491</td>
<td>112817</td>
<td>115781</td>
<td>114189</td>
</tr>
<tr>
<td>over 5 years</td>
<td>236313</td>
<td>239666</td>
<td>238056</td>
<td>242638</td>
<td>247315</td>
<td>244844</td>
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<td>TOTAL</td>
<td>720087</td>
<td>734821</td>
<td>730475</td>
<td>752112</td>
<td>769254</td>
<td>772611</td>
</tr>
</tbody>
</table>

Figure 57: Unemployment by time of waiting for a job (%)
Gray Economy

The results of a poll conducted by the CPIJM indicate that the share of those employed in the gray economy stood at a constant 17% throughout the entire period, except February, when it was a little higher at 23%. This conclusion is that almost one million people in central Serbia and Vojvodina are engaged in the irregular sector (not contributing to the state run Pension, Health and Unemployment Funds); this means registered employed and unemployed figures must be corrected in order to get a true picture of the labour market.

The gray economy is a male dominated sector, much more so than the regular sector’s labour market. Only one out of three in the gray economy are women, who are apparently less willing and/or less able to tackle the many risks implied by work in the irregular sector. The past decade’s crisis has also influenced many women to withdraw to the private sphere and take on an even larger burden in the family, leaving them even less time for additional activities.

An age distribution analysis shows that the gray economy is dominated by an age group between 40 and 64. A parallel analysis of the age distribution with the age distribution of the overall population indicates that the gray economy has an above-average share of the younger to middle-aged group (25-39). Due probably to the fact that they have more experience and business contacts than those who are younger, yet are more willing to take risks than those who are older. Also, if we make comparisons with the regular labour market, we can see a bigger share of over-65s than on the regular market – this, of course, because the regular market has no such group, as 65 is the obligatory retirement age.

One out of two gray economy participants has a secondary school degree. Compared with the overall population, there is an above-average share of those...
with primary or secondary school education in the gray economy. Their share in the overall population is also the highest, but less dominant.

Viewed against the overall population, one out of five people with regular jobs, one out of five unemployed and one out of five farmers are active in the gray economy. Other significant groups include pensioners, where one out of ten are engaged in the gray sector.

Throughout the period covered by the study, trading and catering were the biggest employers in the gray economy, followed by the agriculture, seasonally. Various crafts also have a considerable share.

Gray economy poll results reveal other interesting details. According to category and type of household, over two-thirds of all participants come from non-agricultural households; half are childless couples. Just over one-half are urban dwellers.
A large number are employed on jobs at about their qualification level, but just one-third are engaged in the same activities as their regular jobs. The main motives for engagement in the irregular sector is helping to secure the fulfillment of basic needs, bare survival or preservation of a standard of living acquired in the past.

The majority is “self-employed,” and one out of two is engaged in the gray economy regularly – every month of the year.

The second half of 2000 and the first half of 2001 have been marked by a continued decline in employment in the socially-owned sector and rising unemployment, which will almost inevitably continue growing in the next year's time in line with the expected adoption of a new labour law, changes in the employment law, the tightening of financial discipline and initiation of the privatisation process, but also the expected restructuring of a number of large public enterprises. The Government's social programmes for certain firms, notably that for the "Zastava" automotive giant, will temporarily solve some of the problems, but in its essence they will continue to grow. No major changes in the unemployment structure are expected in near future, but the number of those entitled to unemployment benefits is certain to increase, and the number of first time job-seekers to fall.

In spite of the rise in the jobless rate and efforts by the Government to reduce the influence of the gray economy (e.g. cuts in the pension and health insurance contribution rates, the drive to stop motor fuel and cigarette smuggling), unemployment remains unchanged, at least in the segment concerning labour activities.

Given that the authorities expect to eliminate most of the remaining price disparities and effect some unpopular changes in the pension system and tax policy by the end of 2001, the expected increase in registered unemployment will certainly be one of the biggest challenges the Government will face in 2002.
Socioeconomic Stability

Wage and Pension Trends

The nominal average net monthly wage, according to the official statistics (Federal Statistics Bureau) reached 5,427 dinars in July 2001, up from 2,094 dinars in June 2000, a rise of 159 per cent. Unfortunately, the relatively high inflation in that period means that the nominal growth does not represent an actual rise in purchasing power. If we eliminate the effect of inflation, in the said period the average wage seen in real terms only rose by 9.8%. Although this growth is significant, it is an effect of changes in the period’s last two months and is by no means certain to remain unchanged, on account of constant fluctuations of real-term wages, which is illustrated by Figure 63.

Real-term wages are enjoying a growing trend; they experienced positive growth throughout the period. But month-on-month fluctuations were considerable. The biggest drop came immediately after the political changes in early October 2000, following a strong rise of prices in October and November, a decline in economic activity caused by electricity shortages and a stagnation of nominal wages, which all combined to considerably reduce real-term wages. But wages rose sharply in December and reached their usual pre-October level. In 2001, the average real-term wage stagnated, with fluctuations, and rose in June and July, the months when industrial output dropped sharply. Wages therefore continue to oscillate with no apparent connection to economic trends.

Average wages seen in US dollars are shown in Figure 64.

Viewed in dollar terms, the average monthly wage mainly had a rising trend, going up from US$ 55 in June 2000 to US$ 79 in July 2001. But this figure is much less favourable than it might appear once it is compared with a more realistic indicator – the real-term average wage seen in dinars. The US$ wage figures are namely quite dependent on the dinar-dollar exchange rate; the dynamics of dollar-term wages are therefore not particularly representative of their actual purchasing power trends.

In the last months of the rule of Slobodan Milošević, the dinar was undervalued against the US
dollar, as an effect of (anticipated) inflationary expectations. Wages seen in dollar terms therefore had stronger purchasing power than might appear today. On the other hand, since December 2000 the dollar-dinar rate has been fixed, unchanged in spite of inflation; this means that the average wage in dollar-terms is rising fast, but the purchasing power of the dollar in Serbia continues to drop.

The data herein concern the wages of employees of the state-owned, socially-owned, and mixed-ownership sectors of the economy. However, official statistics do not cover the private sector fully owing to objective difficulties in collecting data as well as the probability of concealment. In 2000, private sector enterprises employed about 500,000 people (owners and employees), and some 564,000 in March 2001 (Federal Statistics Bureau data). Their average wages are some 50% higher than those paid out in the former sector.20 However, in order to avoid taxes, many owners of private firms declare minimum wages for themselves and their employees; actual paycheques are therefore even higher.

Difficulties of another kind appear in connection with the grey economy, which is very deeply rooted in Serbia. Analysis shows that this sector employs about one million people and that their hourly income is twice that achieved in the formal economy;21 on the top of this they pay no taxes or contributions of any kind.

Costs of living continued to rise moderately, going up by a few per cent almost every month. The rise was much more rapid in the September-November 2000 period, marked by political turbulence and elections, as well as in April 2001, when there was a sharp hike in the price of electricity to reflect its true cost. Rises in the other months of 2001 are mainly the result of increases in the formerly very depressed infrastructural and utility service rates.

Figure 65: Consumer Price Index

The fate of the pensioners in the past year was more favourable than that in the preceding years. The growth in the state debt to pensioners was halted and pension payment delays doesn’t increase any more; the Employees’ Fund has been paying out regularly since last autumn.

Average real-term pension trends are shown in Figure 66.

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20 Labour Poll, Federal Statistics Bureau, 2000
The major fluctuations of the real-term average pension are a consequence of:

- the payment of just one-half of one monthly pension from the Employees’ Fund in June 2000 and February 2001,
- the high rate of inflation in October and November 2000, as well as the one-month delay in pension indexation,\(^2^2\)
- the payment of three half-monthly pensions by the Employees’ Fund in December 2000, and this time the positive effects of indexation.

In the April-July 2001 period, the average real-term pension has been stagnating, but rose again in August thanks to an increase in the real-term wages.

Pension trends in Serbia are highly dependent on the pension payments from the Employees’ Fund, which covers some 95% of the overall expenditure and 85% of all pensioners in Serbia’s pension system. The Self-employed (private sector) Fund is making regular payments of pensions, identical in size to those paid out by the Employees’ Fund (in July 2001, 4,074 dinars, as against 4,111 dinars). Worst off are agricultural sector pensioners, whose fund for several years paid out just one-half of one monthly pension every month; since last December it has been paying out one-and-one-half almost every month, thereby reducing its debt and the payment delay from two years to one-and-a-half. But farmers still enjoy far lower benefits than all others: in July 2001 their fund paid out January 2000 pensions, of an average value of just 499 dinars (US$ 7).

Seen in dollar terms, the average pension in June 2000 was worth US$ 18 (one-half of one pension was paid out by the Employees’ Fund) and US$ 33 in the following month; while by July 2001 it had grown to US$ 53. The reasons for the considerable rise in the dollar value were explained in the wage section.

The pension system requires a significant reform. The high ratio of pensioners to employed persons (now standing at about 1:1.3) results in deficits (now about 2 billion dinars a month, or about 40% of the total value of a pension) and makes the existing systems fiscally untenable. Instead of continuing to work and set aside money for pension funds, employees in Serbia continue to retire at a very early age – about 55 on the average.

\(^2^2\) Indexation of pensions is calculated according to the growth of the average wage in the preceding month.
Social welfare was badly neglected in the past decade; the main social policies were low and controlled prices of staple goods and utilities, as well as the protection of jobs. Even the meagre social benefits were irregularly funded, resulting in huge delays.

In 2000, welfare benefits were paid out to the poor very irregularly, in installments, and according to budget priorities. Some 30,000 families were covered, an unusually small figure for a country with high poverty levels. The payments were very modest: in July 2000 the average benefit was 312 dinars (US$ 6), or 2-3 US$ per family member.

Accelerated welfare payments began from December 2000, thanks to foreign donations. The delay had been eliminated by May this year and payments became regular, with the average amounts reaching 1,589 dinars per family (US$ 23) in July 2001.

Child support benefits were delayed by two years and totally devalued by inflation at payout date. In the summer of 2000 the two-year debt was paid out in the form of government bonds with limited utilisation possibilities. Another delay dating from the autumn of last year was made good in December, and payments have been regular this year. The average child benefit in July 2001 was 953 dinars, or US$ 14.

The system of social welfare for the poor is very modest in Serbia as regards both coverage and expenditure. It does not meet the needs of a country in a serious crisis, which has yet to come face to face with all the challenges of transition. This means that a reform is badly needed in regard to both certain elements of the system (elimination of differential treatment of citizens according to regional criteria, the definition of a new poverty line, better targeting etc.) and the provision of more funds.

### Household Incomes and Components

In April 2001, according to the household survey carried out by the CPI-JM, the average household income was 11,734 dinars, some 3.2% more than in March. Income in April per household member was 3,899 dinars.

Real-term per-capita income declined in the post-October period, which is partly the result of a fall in industrial output, and partly of seasonal variations.

The structure of overall household income is stable, except in certain individual cases. The drop in the share of joint household income in February

<table>
<thead>
<tr>
<th>Month</th>
<th>Jun 00</th>
<th>Aug</th>
<th>Sep</th>
<th>Nov</th>
<th>Feb 01</th>
<th>Mar</th>
<th>Apr</th>
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<tbody>
<tr>
<td>Joint household income</td>
<td>21</td>
<td>24</td>
<td>23</td>
<td>23</td>
<td>17</td>
<td>22</td>
<td>24</td>
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<tr>
<td>Wages</td>
<td>44</td>
<td>39</td>
<td>41</td>
<td>45</td>
<td>47</td>
<td>48</td>
<td>43</td>
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<td>Pensions</td>
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<td>14</td>
<td>12</td>
<td>15</td>
<td>15</td>
<td>13</td>
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<tr>
<td>Gray Economy and Supplementary Work</td>
<td>22</td>
<td>23</td>
<td>21</td>
<td>18</td>
<td>20</td>
<td>14</td>
<td>18</td>
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<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
2001 is a consequence of exceptionally small income from the sale of property, while the falls in the shares of grey economy income in March and April came after the state stepped up the fight against black marketeering (sales of smuggled goods without taxation).

Income from the sale of agricultural produce and property varies spontaneously, while the shares of the others are more or less stable.

Interestingly, aid (foreign, domestic and humanitarian) makes up about one-twelfth of overall personal incomes. This is a large percentage and testifies to the significance of informal transfers mainly to the impoverished part of the population. The main source are relatives, and the character generally inter-generational. In April 2001, 33% of all households received regular or occasional aid from relatives, while about 30% of all households gave out such aid on a permanent or occasional basis.

**Expenditure**

Average per-capita expenditure, according to the household survey carried out by the CPIJM, rose from 1,844 dinars in June 2000 to 3,807 dinars in April 2001. Seen in dollar terms, once again we have a deceptive increase from US$ 39 in June 2000 to US$ 58 in April this year. A more realistic indicator is per-capita expenditure in constant prices.

**Figure 67: Real expenditures per capita**

Per-capita expenditure in real terms dropped after October 5 last year, but then gradually recovered and in April 2001 reached the level it had
the previous summer.

Urban households have expenditure per member about one-third higher than that of rural households, but rural households enjoy lower expenses than urban ones.

Table 15: Structure of household expenditures in %

<table>
<thead>
<tr>
<th>Category</th>
<th>Jun 00</th>
<th>Aug</th>
<th>Sept</th>
<th>Nov</th>
<th>Feb 01</th>
<th>Mar</th>
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<td>Food</td>
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<td>Medical treatment</td>
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<td>15</td>
</tr>
</tbody>
</table>

Changes in the structure of household expenditure in Serbia are moderate.

Analysis and Forecasts

Considerably over one-half of all people polled rated their own financial positions as poor or very poor, which is in line with the economic indicators given above. Between one-quarter and one-third chose the ‘neither good nor bad’ option, while just one-tenth said their financial status was good or very good.

Table 16: Examinees’ rating of their financial situation

<table>
<thead>
<tr>
<th>Rating</th>
<th>Jun 00</th>
<th>Sept</th>
<th>Oct</th>
<th>Dec</th>
<th>Mar 01</th>
<th>Apr</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very poor</td>
<td>36</td>
<td>32</td>
<td>34</td>
<td>33</td>
<td>29</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td>Poor</td>
<td>28</td>
<td>30</td>
<td>31</td>
<td>29</td>
<td>31</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Neither bad nor good</td>
<td>26</td>
<td>27</td>
<td>26</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Mainly good</td>
<td>8</td>
<td>9</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Very good</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Dynamically viewed, in the post-Milošević era the ratings of one’s own status are somewhat better than before, most probably on account of more favourable expectations of the future rather than a genuine improvement in the situation in the country.

On the other hand, no less than 51% of those polled in May 2001 said purchasing power had been higher under the former regime; only 10% think the opposite. In May some 81% said they were dissatisfied with the standard of living and 89% with the economic situation.

The gravity of the economic and political situation in Serbia allows for a possibility of disturbances (demonstrations, strikes, conflicts).

In the last months of Milošević’s rule over one-half of all people of Serbia were expecting disturbances caused by political or economic problems. After the change at the helm in October 2000, such expectations were reduced, especially in regard to politically-motivated unrest. There now exists growing dissatisfaction with the economic and political situation, and expectations of future unrest due to economic and social causes are back at the level recorded in the Milošević era. The growing pessimism is a consequence both of unfulfilled
promises of rapid improvement and of the poor economic and social circumstances.

Even if the very latest debt relief negotiated, only recently, at the Paris Club on November 16th, 2001, creates prospects of accelerated economic recovery, the benefits to the population are unlikely to be felt significantly in the very short term, i.e. winter 2001/2002 – rather, as winter bites-in, sharper unrest can be expected.
Crime, Corruption and Social Stability

General Security and Societal Situation

During the years of autocratic rule of former Yugoslav President Slobodan Milošević corruption was rampant in the regime. Rule of law was flawed and tax legislation was not applied equally to all taxpayers. Isolation of the country from the international community and subsequent trade embargoes imposed on Serbia combined with non-transparent public procurement, as well as chronic hyperinflation – the biggest ever recorded in Europe, were all seen as fortunate circumstance for a rather small circle around Mr. Milošević. He and his ruling elite used this “opportunity” to illegally accumulate wealth using their privileged position.

The new Government of Serbia, led by Dr Zoran Đinđić, which has been elected in late December 2000 following the initial democratic changes of October 5th, 2000, took the fight against corruption as one of its primary goals.

However, eight months after entering office, Yugoslav Foreign Minister, Goran Svilanović, stated to the European Forum in Vienna on 27 August 2001 that “FRY is ruled by a half-Mafia”. This statement came from a DOS Minister, whose party had made a promise before assuming Serbian Government in January 2001 that it would quickly deal a deadly blow to organised crime and corruption. The challenge has proven more difficult then the new democratic leaders had initially anticipated.

The structural corruption and criminalisation of the Serbian political system and the state turned out to be deeply rooted in the system inherited by the new regime from Milošević times. On the other hand, the new government is composed of 19 political parties, garnered programmatically heterogeneous coalition, where portfolios have been, and continue to be, distributed according to the needs to preserve the coalition. In some cases allocations have been made not according to ability but to appease political interests and this type of action has not gone unnoticed in the public arena.

The eighth Survey carried for the purposes of the EWS in October 2001, exploring perceptions of citizens regarding the current state of affairs one year after the collapse of the old regime demonstrated that, apart from the economy, citizens are least satisfied with the fight against crime and corruption. Namely, 26% of respondents claim that situation is now worse than before, while only 18% say that it is better. The relative majority of 46% claim that situation did not change, while only 3% of respondents do not have an attitude concerning the issue.

The reasons for this attitude are complex and deeply rooted in two basic presumptions. In the last ten years of the Milošević regime there has always been a mistrust and natural suspicion that anybody in politics is there to make extra curricular personal gain: institutional corruption at the highest levels. It has also long been assumed that, on a personal level, if you wish to get anything done you need to use “veze”; petty corruption.

Potential reasons to support the perception that the authorities are not adequately tackling these issues are outlined below however they hardly explain the current perception of the public given the changes which the government has initiated to root out institutional corruption.

The fight against corruption and organized crime began on different fronts, in a rather uncoordinated manner. This partly reflected the two tiered government
system implemented only in Serbia (unlike Montenegro) and perhaps also the personnel changes in the leadership of the Crime and Corruption Investigation Commission. This Commission was formerly run by Vuk Obradović, former Vice President of the Government of Serbia, who lost his position due to the alleged sexual harassment charges, made by a female member of his own political party – the Social Democrats.

However efficient action has been taken in relation to key institutional mechanisms which the state supported and through which hundreds of millions of DEM were drained out of the economy to pay for wars in BiH, Croatia and Kosovo while lining the pockets of Milošević’s associates. Given the above it is interesting to note that the most progress in the fight against corruption has been recorded in the fiscal field, by the clear moves to consolidate the tax system in the beginning of the year. In this direction a whole set of the new legislation has been enacted and the Government is preparing a Public Procurement Act.

Key Legislation to Tax Milošević’s Associates is in the Process of Implementation

By passing the “Law on once off taxation of extra income and extra property acquired by using the special privileges” the new Government of Serbia has identified sources of wealth creation through the corrupt behaviour, which was pursued by the members and allies of the former regime. The tax is aimed at extra income and extra property acquired from January 1st 1989 up to June 23, 2001 (the day the Law came into force), which has been generated by usage of special privileges defined by the Law. Some of these transactions are rather peculiar and occurred under the circumstances of closed economy, suspended rule of law and completely non-transparent public finances.

For the purposes of this report we will analyse the six most important forms of corrupt behaviour (among twenty described by the Law), triggering the tax liability:

1) **Receiving loans from funds created by the primary and gray (illegal) issuance of money by the National Bank of Yugoslavia (NBY)** and other financial institutions, in financial transactions on the open market. During the rule of Mr. Milošević, the NBY was directing privileged loans to state owned companies, run by his followers, who were speculating with domestic currency (Yugoslav dinar), under the circumstances of rising hyperinflation, being able to generate huge profits through purely financial transactions. In this case, taxable base is defined as the left over amount of the loan, received from the primary source and the real value of the loan paid back to the NBY.

2) **Purchasing of hard currency from the NBY** at the time when the real market exchange rate was higher. This was one of the favorite mechanisms for theft of public funds exercised by Mr. Milošević regime. Only those importing companies, which were close to the regime, had access to hard currency at the official, fixed exchange rate for the Dinar. At the same time, the market exchange rate was fluctuating wildly and was far higher than the official one, which was the common type of situation (as the hard currency was scarce). For this type of transaction, taxable base is defined as the difference between dinar value of the hard currency under the market exchange rate and the dinar value of the hard currency acquired, under the official exchange rate, on the day when it was purchased from the respective bank.

3) **Import and distribution of goods, which fall under the taxation by excise duty**, without the payment of customs, other import and excise duties, sales tax, as well as other fiscal charges targeting consumption. During the former regime and especially in the times of UN and EU embargoes on trade, special groups of in-
dividends and companies were allowed to import high tax goods, such as tobacco products without paying charges on these transactions. This was highly lucrative business which occurred with the blessing of the ruling party. Besides taxation, the new government took a number of other measures to put an end to these practices. For this type of transaction, taxable base is defined as the value of unpaid fiscal charges capitalized at the interest rate equal to the standard interest rate of NBY, increased for 30%, by using the “conform accounting” method.

4) **Export and import of goods**, under the foreign trade regime of quotas and permissions, implemented by using special privileges for obtaining these import entitlements. That mechanism was one of the favorites among the system of privileges created for the loyalists of the former regime. Through the system of quotas foreign trade with many of the products was highly controlled and only firms with “good connections” were able to do business. For this type of transaction taxable base is defined as the value of import or export, according to the provisions of the Customs Act.

5) **Procurement deliveries and purchases of goods from the State Commodity Reserve (SCR)** under the privileged conditions (without a public auction, i.e. under the direct deals concluded); This kind of operation was a particular source of corruption during Milošević rule. It was based on the lack of transparency and competitive public bidding in transactions undertaken by the government controlled SCR. For this type of transaction, taxable base is defined as the difference between the price under which the SCR has acquired the goods from the tax payer and market value of these goods, i.e. difference between the market price under which the SCR goods could be sold and the one which was used for the actual transaction with the tax payer;

6) Using funds deposited by citizens at banks organized as **pyramid schemes**, as loans. When describing this case, we need to explain that the former regime caused hyper inflation by printing money, in order to offset for soaring public expenditures related to the support to the Armies of Bosnian and Croatian Serbs, especially in the period 1992/93. This was followed by support to at least two wide scale operating “**wild cat banks**” (these were: “Yugoscandic bank” and “Dafiment bank”), established on the principles of pyramid schemes. These banks were paying high interest rates for the hard currency deposits, attracted from the citizens. When they collapsed, more than one billion DEM in debts was left after them. Both operations were indirectly controlled by the regime and individuals close to it who were allowed access to different kinds of soft loans from the deposits accumulated by the pyramid schemes. For these types of transactions taxable base is defined as hard currency amounts taken as the loan, increased for the accrued interests equal to the LIBOR + 2% using the conform method;

**Description of the transactions, which imply tax liability, explains to a great extent what were the channels through which the people of Serbia were robbed by the former regime.** The new Law is an attempt to reintroduce the element of justice into the fiscal system of the country.

Tax rates of the special tax are steeply progressive as presented under the Art. 10 of the Law (Table 17).

Internal Revenue Service of Serbia is obliged to submit monthly reports to the Parliament of Serbia about the progress on the proceedings initiated in the tax collection under this Law.

**By this legal act the Government intends to tax persons (individuals and companies) which were in a privileged position during the rule of Mr. Milošević. This will not pardon them from other eventual legal liabilities (Criminal Code).**
The implementation of this tax has created a lot of resistance, including the motion undertaken before the Federal Constitutional Court to annul it on constitutional grounds. An action which has been initiated by one of the biggest, potential tax payers “Brother Karić Inc.” However, the Government and especially, Internal Revenue Service of Serbia, have so far demonstrated persistence in the process of its enforcement.

Public Procurement Act Being Drafted

The Ministry of Finance of Serbia is currently finishing the Draft of the Public Procurement Act, which is a key piece of legislation to be implemented in order to prevent corruption on the side of public expenditures.

Up to now the whole area of the public procurement was poorly regulated, governed only by several provisions scattered in a number of legal acts related to investment and construction works.

The Government identified public procurement, as one of the primary areas to be regulated and the draft Law follows the Slovenian legislation, as a good practice example, being fully harmonized with the EU standards to which Serbia is aspiring.

Crime After Milošević Seems Unrelenting

Certain key events have placed a shadow across the good policies, which the Government has undertaken in the eyes of the general public. Early in August 2001, police colonel Milorad Gavrilović, former officer of the Serbian State Security Service, was murdered. He had left the Security Service in August 1999, that is in the most difficult year when the Service (henceforth referred to as DB Državna bezbednost, in Serbian) was fully instrumental in the hands of the former
government to pursue political opponents and civil society representatives. Just a few days before he was murdered, Gavrilović visited the Cabinet of the Federal President, Vojislav Koštunica, and is believed to have complained about corruption in the police force and extensive corrupt networks within the new government circles. Consequently, speculations were published in the media, headed by the daily newspaper “Blic”, that Gavrilović was in fact killed because he had gone to president Koštunica to voice his concerns, and that thus, implicitly, his murderers are somehow connected to the corrupt circles he was referring to. The controversy was further stirred when president Koštunica emerged in the media on 10th August to praise the newspaper, and to warn against a deep criminalisation of the Serbian society, referring to the new power brokers in the establishment.

In a public opinion survey conducted for the purpose of the Early Warning Report in May and October 2001 the earlier perceptions of a very large presence of crime and corruption in Serbia were confirmed. Apparently the establishment of the Serbian Government’s Commission for the Investigation of Corruption and the introduction of new legislation to tax extra profit and property have not succeeded sufficiently in persuading the Serbian population that major inroads are being made into the problem of structurally entrenched crime and corruption.

This situation has not been helped by the numerous mistakes made by the ruling coalition – the DOS. The differences are mainly polarised between the Democratic Party of Serbia, headed by the Federal President, Dr Vojislav Koštunica, and the parties gathered around the Democratic Party, headed by the Serbian Prime Minister, Dr Zoran Đinđić. It is clear that corruption is being used as the main fault line between the two political blocks for the next election. If criminalisation is to be the main political dividing line, then the population’s mood concerning crime-control will be one of the key issues for next elections.

The main problem illustrated by the unresolved murder of Gavrilović and similar examples such as the protests of members of Special Anti Terrorist Squads occurring in the first half of November 2001 is in the perception amongst the public that the Government is not effective enough in pursuing anti crime policies.

On the other hand, crucial breakthroughs in dealing with the crimes of the former regime have been made earlier this year by the Serbian Government which has published the facts about the mass graves of civilians killed in the Kosovo war and subsequently, arrested and transferred former FRY President Mr. Milošević to the ICTY in The Hague, Netherlands.

The Repressive Mood

The public opinion surveys conducted during the current year demonstrated an extremely high level of ignorance of the current penal policy provisions in Serbia, and a parallel desire to make the sanctions harsher and generally more severe. With the respondents being questioned about their attitudes to seven types of crime, namely murder, robbery, rape, corruption (the questionnaire contained the “crime” of corruption, even though corruption is not defined as a crime in the current Serbian Criminal Law), organised crime (the same situation as with the previous type of crime), abuse of official position, and economic crime, the responses were overwhelmingly in favour of the sanctions being made considerably harsher as a blanket policy. The responses indicated that the majority of the population considered the existing provisions for sanctions too lenient. The exact percentages were as shown in Figure 69.

The problem with this survey was partly in the formulation of the questions that were actually put to the respondents, and these formulations may somewhat influence the interpretative value of the data thus obtained. Namely, the questions involved, as was already mentioned, the “sanctions envisaged for the crimi-
nal offenses” of corruption and organised crime. The problem here is that neither corruption, nor organised crime, although they certainly are types of crime, are not criminal offenses as defined by the current Serbian law, and there are no specific penalties prescribed for these “offenses”. Thus the interpretation of this part of the data requires a certain semantic flexibility, which would allow one to interpret the results as being identical to the results that would be obtained if the question were concerning the actual policy of sanctioning instances of corruption and organised crime.

The New Criminal Law

After months of hesitation, the Serbian Government seems to have been brought to accept almost all the recommendations given by the professional and independent participants in the effort to re-design the Serbian Criminal Law. The last version of the Proposal for a New Serbian Criminal Law has been scheduled for debate at the Serbian Parliament's session by the end of the current year.

A major feature of the new Criminal Law is that it remedies a highly unfortunate situation so far, in that it introduces the criminalisation of corruption as a separate chapter. Chapter 21A of the new Criminal Law describes the offenses under with 10 new criminal categories, ranging from corruption in public procurement and privatization, to corruption in the fixing of sports matches and corruption in the health profession.

The Government has by the proposal of the Changes of the Criminal Law Act adopted a blanket policy of making all sanctions harsher. This, while in line with the results of the public opinion survey and population attitudes mentioned at the beginning, disturbs the balance of the new Law. The new proposal of the law liberalizes the treatment of the most serious offenses by limiting the maximum penalty to 20 years imprisonment, while at the same time it draconian sanctions far less serious offenses introducing certain imbalance in the criminal penal policy, according to some observers.

There are direct examples of simply unworkable penalties being prescribed, such as the penalty of “at least three years imprisonment” for corruption in the health profession. This involves the common situation in Serbia where a state doctor, after examining the patient, directs him or her to a private clinic, where a procedure is performed for a fee, often by the very same doctor; a sort of new order “veze”. This is such a common situation, which partly results from the disastrous status of the state health system, a lack of funds, medicines and equipment, as well as hospital beds, that a large proportion of Serbian doctors would end up in prison if this provision were to survive. Finally, according to FRY criminal legislation, a sanction that starts at 3 years, falls within the category of 3–10 years. This means that a doctor could end up in prison for up to 10 years, and this realm of penalties

![Figure 69:](image-url)
does not allow the judge to pass a probationary sentence. In other words, each such doctor would have to actually go to prison, even if this were the first offense they had ever committed.

Despite these imbalances, which can be expected to be further discussed and possibly rectified in Parliament, the new law is a step forward, towards accession to the EU. It will help the Serbian criminal justice system to start emancipating itself and ridding itself of the remnants of the repressive and authoritarian habits introduced by the former regimes.

**Looking at the year past: corruption as a part of the changing system?**

The public opinion surveys over the first year of the EWS project indicated continued trends in public attitudes towards crime and corruption. They also indicated a relatively stable distribution of corrupt activity between various types of corruption. For example, the comparative data for July, September and October 2000 were as shown in Figure 70.

The empirical research then indicated “stable models of hypothetical behaviour”, in other words it indicated a deeply embedded practice, whose variation is mostly within the possible margin of error of empirical research. This is why most respondents then believed that the period of five years is a minimum reasonable time frame where possible results in terms of combatting corruption could be contemplated.

It is particularly interesting that in October 2000 most respondents believed that the main reason for the widespread corruption was a moral crisis, more so than poverty. In September 2001, the main discourse about the political establishment is again being led in terms of crime and corruption, whether in terms of accusation for those sins that are directed at the government by its critics, or in terms of the government’s failure to address these inherited problems effectively. Namely, in October 2000, 76% of the Serbian population believed that the former government had been systematically connected with crime and corruption. This was a major, if not the major, election issue for the Serbian voters – to rid the country of crime and corruption.

One of the indicators of the direction in which the perceptions of this trend was going was present already in the December 2000 public opinion survey, when compared with the October 2000 survey. It is illustrated in the Figure 71.

The Figure shows that more people answered that there was corrupt-
tion in Serbia, and that there was an extremely large amount of it, in December 2000, that is two months after the overthrowing of the previous regime, than in October 2000, at the time the old regime was overthrown. When this is viewed in light of the controversies and divisions within the ruling coalition in Serbia, mentioned at the beginning of this chapter, it is easily imaginable that such a societal discourse leads the voters to see the situation as actually becoming worse, rather than better. If this were to persist as a pattern it would be a very bad sign for the new democracy in Serbia. Especially as the research over the past year has shown that 94% of the respondents responded that crime and corruption were personally important issues for them, that would govern their political choices in a key way.

The perception that the Government is building up of an all-societal coalition for fighting corruption and crime in Serbia has not been a successful endeavor. There may be many reasons for this but the most common opinions voiced are the tendency of the government to monopolize all activities in this field, without sufficient skills, personnel, or consistency of will to pursue the necessary reforms in the same direction for an extended period of time. It would seem from the Surveys that in this key area of Crime and Corruption the Government has not managed to convey the very serious changes which it has made in this area and that the current “spin” on corruption in high places is what the public perceives as the truth.

A special problem in Serbia is the State Security Service. This is a part of the Ministry of the Interior that is insufficiently regulated, as there is currently no Law on the State Security Service. Parliamentary controls over this service are still insufficient, and there is a tendency between the political parties to jockey for positions of control of this sector, rather than place it under a systematic and strict, transparent control by the Parliament. Recently the State Security allegedly opened the files that it kept on the citizens under the heading “terrorists and internal enemies”, but this was done without the putting in place of any mechanisms that would convince the people that the information given was true. Namely, numerous files had been destroyed, and the way in which they were made accessible to the people was again regulated by a decree, rather than by law. There was no method of oversight of how the information was revealed, and in essence the whole procedure relied on the citizens “trusting” the State Security officials that they either had, or did not have, files with the Service.

Attitudes of Citizens Towards International Terrorist Attacks

A two-thirds majority in Serbia fears terrorist actions by extremists in their country, while just over one-fifth say there is no danger of terrorism spreading to Yugoslavia as October 2001 Survey is showing.

With a single exception, caused by a large percentage who refrained from responding, absolute majorities, sometimes three-quarters of the sample or more, say their country is a potential victim of terrorist actions. This danger is perceived by above-average percentages of middle-aged respondents and those with primary school education. The only exception is the Moslem-Bosniak group, of whom some 43% say terrorism could spread to Yugoslavia, 18% say it will not, while 39% re-
frained from answering. Fear of this threat is particularly evident among supporters of the SRS and SPS (80% each), and the SSJ (74%).

This latest information, shows perceptions of citizens who fear that the latest, global disturbances caused by the terrorist attacks on the US could spread in some form to Serbia and FR Yugoslavia, causing revival of instability. Based on this, the new authorities should devote special attention to the issue of fighting and preventing terrorism, which has been addressed several times in the statements of both Federal President Dr Koštunica and Prime Minister of Serbia Dr Đinđić.

It should be stressed that steps have been undertaken, leading to the successful re-acceptance of the FRY as a member of Interpol.

Conclusion

Over the period of past 12 months, following the democratic changes in FR Yugoslavia, significant steps have been undertaken to overcome endemic corruption and widespread crime and insecurity which existed during the period of the former regime.

Main culprit responsible for the criminalization of society in Serbia, wars and tragedies executed by members of the former regime, former President of FR Yugoslavia Mr. Slobodan Milošević has been arrested by the new authorities and delivered to the ICTY. The process of cooperation with the ICTY has been initiated successfully despite many obstacles.

Tax legislation has been consolidated and is being equally applied to all taxpayers. The special, once off, exceptional: “Law on one-time taxation of extra income and extra property acquired by using the special privileges” has been enacted in order to correct injustices related to the mechanisms through which members of the former regime have made fortunes by illegitimate and illegal transactions.

The Government is working intensively on the draft of the Public Procurement Law, while the new modernized Criminal Code has entered the legislative procedure at the Parliament of Serbia.

On the other hand, it is striking that the citizens of Serbia do not view favorably the overall performance of the Government in fighting crime and corruption. On the average people perceive the present situation as being worse than during the times of the old regime. Partly, the causes for this kind of situation lay with the fact that democracy brought about more openness and many wrongdoing of the former regime came to public attention at the same time. On the other hand, the petty corruption is still deeply entrenched as a way of life and as a survival technique of many public sector employees belonging to the lower ranks of the administration.

The main conclusions and recommendations concern the need for the Government to focus on capacity building efforts and removal from office of culpable elements of the remaining personnel from the old regime in order to create a new system of institutions which will be transparent and resistant to corruption. The Government also needs to continue to be effective in pursuing policies and measures against criminal elements and to better communicate its achievements to the public.
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