

MONEY LAUNDERING AFFAIR

Chronology of Events

G17 PLUS wishes to address the recent developments in the Serbian political life that on a first glance may seem as escalation of the bickering among the democratic forces. However, as this text attempts to explain, the quick and irregular procedure in enacting the new National Bank Law (abolishing the NBS's independence), and the removal from power of its very successful Governor Mladjan Dinkic for political reasons, indicate that the Serbian Government has chosen to pursue a non-reformist course. The subsequent corruption and money-laundering scandal proved the involvement of the top Government officials in business crimes. Unfortunately, the Government of Serbia did not condemn it but sided with its incriminated members, further compromising its credibility. Since the timing of the scandal's disclosure accidentally coincided with the Governor's dismissal, its perpetrators attempted to present as Governor's revenge to undermine its dimensions and importance. However, as the text explains, the current events surpass political bickering and reveal the clear division in the hitherto 'democratic block' onto the reformers and political profiteers. It is critical for the DOS to have sufficient strength and courage to deal with the latter, within its ranks, for the sake of the Serbian democratic parties' and Serbia's future.

I DINKIC AS GOVERNOR

Before turning to the reasons for his dismissal, allow us to address briefly Dinkic's governorship, according to the parameters by which the work of a governor is normally judged. From the starting point of October 2000, in the face of the legacy of all sorts of malpractices and distrust for which the central bank had been widely known, Dinkic and his team managed to accomplish the almost impossible:

- Stabilized the currency and tamed inflation;
- Renewed trust in banks (which the sharp increase in savings illustrate);
- Stabilized and significantly increased foreign currency reserves (from 360 million to over 3 billion USD);
- Reformed the banking system, including shutting down the defunct banks and returned payment operations system and services into commercial banks;
- Turned the NBS into an efficient and sound institution (a goal no other post-Milosevic official managed to achieve) by introducing internal reforms and attracting experts.

II REASONS FOR DINKIC'S REMOVAL

Having said the above, we turn to the reasons behind Dinkic's removal:

- Despite the painful reforms he introduced, Dinkic enjoyed a wide public support and trust. According to all public polls done in the last 3 years, he remained at the very top of the popularity scale. In the eyes of the public, the Central Bank became the second most trusted institution, right behind the Serbian Orthodox Church. With such a record, Dinkic presented formidable competition to some other politicians. Their hostility intensified

with the transformation of G17 PLUS to a political party in December 2002, which, over the 6-month period became the third strongest party in Serbia with an upward trend.

- Withstanding pressures from a number of interest groups, Dinkic proved to be a governor of integrity. He turned away the proposal to use the currency reserves for investments, social or other purposes, which was demagogically suggested by some democratic leaders. After turning away such proposals, Dinkic was exposed to a sever criticism to which he responded by launching an educational campaign on the Central Bank and its currency reserves' purpose.
- By the dictate of the reforms and sound policy, Dinkic shut down invalid banks, often directly hurting the interests of powerful tycoons, former Milosevic's allies, who became close to the members of the current official circles. One of the most powerful and notorious in this group is Mr. Bogoljub Karic (the BK Empire) who has been using his private TV (BK TV) and other printed and electronic media that receive his financial support for anti-Dinkic and anti-G17 PLUS propaganda. This severed after Karic's Astra Bank had been shut down. Karic's current good standing comes from his links with some DOS strongmen.
- The last but most substantial reason concerns the new Law on the National Bank, which stipulates a weak Governor and the NBS subjected to the Government's influences, and that, as such, has faced great opposition from Dinkic. Dinkic's personal integrity and track record as a governor were an insurmountable obstacle to the control or manipulation. Paradoxically, the former National Bank Law, prepared according to the Bundes Bank model, and in force during Milosevic's rule, granted more independence to the NBS than the new one, prepared by the 'reformist' Government and enacted by the 'reformist' Parliament!

III WHAT DOES THIS SAY ABOUT THE GOVERNMENT

Although the reasons for 'sacrificing' Dinkic are not justifiable, they are politically understandable. Here, the degree of negligence of legal and democratic procedures in the process is astonishing. However, the readiness to sacrifice the institutions of the National Bank (by abolishing its independence) and, thus, putting the short-term political gain over the reforms and State's international credibility is utterly unacceptable.

Prioritising the NBS law over the Constitution and a number of important laws in a long queue in the Parliament reveals the urgency of Dinkic's removal. This urgency resulted in complete negligence of the regulations and procedures. Here we shall recall only several. The Governor was not invited to the Parliament's session on the National Bank's Law and NBS' hitherto work, and was thus not even given a chance to present his work and policy. The NBS Annual Report, submitted to the Parliament on June 20th, was never delivered to the MPs. Finally, Governor Dinkic was never voted down by the Parliament, which a regular procedure requires. Therefore, the NBS legally has two governors, newly appointed Kori Udovicki and never formally dismissed Dinkic!

A peculiarity of the kind is that the Ministry of Finance prepared the Law on the NBS in secret from the officials and experts of the Bank itself. The Law heavily decreased the NBS' independence. For this reason mainly the IMF and the WB gave numerous remarks and criticism on the text. For example, according to the new law, the Parliament's Finance

Committee proposes the Governor, Vice-Governors and the Bank's Council. Such case exists only in the Croatian system (in a law enacted during president Tudjman). In Serbian weak Parliament, undeveloped committee system and the strong party discipline, such a provision presents a threat to NBS independence and implies a political deal. The irregularities in enacting the system law, as well as the character of the Law itself, resulted in resignations of the almost entire NBS expert team, the two Vice-Governors, majority of sector directors and the cabinet. The NBS is standing on 'fragile legs' emptied of most of its hitherto reformers. It is premature to judge if the NBS' independence and the policy of the stable prices and currency are going to be preserved in practice. The fact that the new Governor was selected from the Government's ranks (former Minister of Energy and Mining) and her statement that the NBS should not refrain from landing to the Government provided that the return was certain, are only first indicators.

Having in mind all the above said, the corruption and money-laundering scandal that surfaced and evidenced the links between the business and political circles, should not come as a surprise. We shall not be surprised by similarity of occurrences if we recognize Milosevic's methods and players.

IV ABOUT THE MONEY LAUNDERING AFFAIR

G17 PLUS revealed the scandal involving Mr. Zoran Janjusevic, Prime Minister's Adviser for the State Security and Mr. Nemanja Kolesar, Executive Director of the Government's Agency for the Bank Rehabilitation (former chief of cabinet of PM Djindjic), not to incriminate the entire Government or the DOS coalition, but to present evidence against its particular members. The affair, which will be briefly presented in the sequence of events, was brought to our attention in the second half of July, by the Hungarian police document addressed to the Serbian police on June 27th.

The Government of Serbia called a tender for selling the Beocin, Novi Popovac and Kosjeric cement factories. The factory in Novi Popovac was sold on 31 January, 2002. According to the Hungarian police report, immediately afterwards, on 28 February the payments started arriving on the account of the Janjusevic's Seychelles-based company, Myron Sales, on its bank account in Hungary (Myron Sales Ltd., P.O.Box. 983, Victoria Mahe, Republic of Seychelles). By 13 January, 2003, a total of 1,022,300 EURO had been transferred to the company's account in several instalments, the purpose of which was named as "Counselling – Miroljub Jakovljevic". Besides this, Myron Sales received another 860,000 EURO on August 22, 2002, from Cyprus offshore company Lennay Control (Lennay Control Ltd, Limassol, Cyprus 3806, 50613). From the account in Hungary, the money was further transmitted in the following instalments: 300,000 EURO to Zoran Puletic (account: Fortis Banqur Brussels); 250,000 EURO to Nebojsa Mihic (account: Delta Bank, Belgrade), 289,000 EURO to Nemanja Kolesar (account: Zepter Bank, Belgrade), 400,000 EURO to Zoran Janjusevic (account: Zepter Bank, Belgrade), 20,000 EURO to Alisun Europa B.V (Holland) and 355,000 EURO to Centro Export enterprise in liquidation (address: Cika Ljubina 3, Belgrade).

We assume that Kolesar in fact received around 850,000 EURO (the amounts sent on his, Pulic's and Mihic's accounts). Our investigation shown that Mihic was Kolesar's best man at the wedding and Puletic is an investor of a luxurious building in Pozarevacka street in which Kolesar recently bought an apartment (500,000 EURO). As PM's Chief of Cabinet, 32-year old Kolesar bought another 200 m2 apartment in the city centre.

On his Zepter account, Janjusevic received 400, 000 EURO, and invested additional 355,000 EURO for purchasing the Centro Export building (company in liquidation). The market value of the building is estimated at around 3 million EURO. The current 'Myron Sales' BGD's Mailbox at the Centro Export's address confirms this transaction. Since the Centro Export liquidation judge refused to sign the transaction, it was done by Commercial Court President Goran Kljajevic.

Miroljub Jakovljevic was the Swiss Holzim contact in the purchase of the Novi Popovac cement factory. At that time, Kolesar presided over the factory's Board of Directors. Suddenly, Jakovljevic became the cement's main buyer, whilst simultaneously taking over the Lutra Company, owned by Interior Minister Dusan Mihajlovic. It was Kolesar's role to discharge the real competition (Greek Titan was also interested in the Novi Popovac factory) by providing Jakovljevic with appropriate information along the tender. Therefore, Holzim

won over Titan following a 'regular procedure'. Jakovljevic obtained a success fee from Holzim for a job well done. The problem appears when immediately after the sale, huge amounts of money were delivered to the Government officials, out of which Kolesar formally took part in preparation and selling of the factory, which proves corruption, or misusing his privileged position for personal gain.

The above-said would not be as disturbing if the Government distanced itself and dealt with the affair. Instead, its incriminated senior officials used its premises for their defence, while not allowing journalists' questions. Kolesar said that the money was given to him for an apartment purchase by his parents not explaining why they went through Janjusevic and an off shore company. Janjusevic stated that he was a rich man prior to his post, presenting fabricated 'evidences' on G17 PLUS finances. When the authenticity of these evidences were refuted as their swift document had a bank's logo (which a valid swift does not have) and as G17 Institute was 'caught red handed' in 2000, prior to its creation in 2001, Janjusevic and Kolesar proceeded addressing legitimate G17 PLUS (Expert Network) project activity, financially supported by the kind assistance of a number of the foreign donors, as if it was a fraud!

G17 PLUS points out that neither Dinkic's dismissal, nor even the highly problematic National Bank Law, are the most disturbing in this charade. They will set back reforms, but are not irreversible. The disgrace and deterioration of the democratic parties in the country, and the subsequent disappointment to our reform-oriented citizens present a long-term danger. Fabrication of evidence as Milosevic's pattern in the disqualification of political opponents, and the links between the politicians and business criminals largely contribute to this end. G17 PLUS will further pursue its goal to decisively contribute to normalization and democratisation of the country. For this purpose and having in mind disfunctioning of the judicial system (the NBS alone filed some 436 requests for criminal investigations and 12.154 for business wrongdoings over the last 2.5 years, none of which were processed), G17 PLUS established a Party Commission for Business Crime Investigation. The Chairman of the Commission is Mr. Aleksandar Radovic, former Director of the Public Revenue Agency. Radovic resigned the latter position because of the pressure to spare certain individuals guilty of the illegal gain during Milosevic of the extra profit tax, exerted on him by the individuals with 'informal links' to top Government officials. After Radovic left, Minister Djelic announced that that Extra Profit Law was of a retrograde and temporary character and that its purpose was completed, even though only about 10% of extra profit was repaid. If, by disclosing the corruption in the democratic ranks, we prevent business criminals and their political friends to impose their agenda and interests, and thus we re-conquer political space for the reforms, G17 PLUS' endeavour will not be in vain.