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## Anti-Corruption Discourse and Institutional Change in Serbia: the Money in Cyprus Scandal

**Abstract** *This paper focuses on the scandal that occurred in 2001 during the intensive investigation of the financial transfers from Serbia to Cyprus during the 1990s. The paper looks at the strategies employed by politicians, practitioners and civil servants to achieve their political agendas. The findings prove that most actors take one of the following positions. They either share information about corruption scandals with the public in order to gain legitimacy for anti-corruption action, or they coordinate their joint response and avoid talking about the scandals in order to reduce political costs.*

**Keywords** *scandal, corruption, Discursive Institutionalism.*

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### Introduction

The Serbian media reports about corruption issues on a daily basis.<sup>1</sup> The archives of the national news agency BETA show that on average, two high-profile corruption scandals surfaced every month from 2000 to 2010. Running parallel to this, there have been an increasing number of institutional changes in the field of anti-corruption with over fifty anti-corruption institutions being established in the space of ten years. This all raises the following questions: what is the link between corruption scandals and anti-corruption policies in Serbia? To what extent has the discourse of corruption generated this institutional change? In order to answer these questions, my research focuses on the following hypothesis: the ability to translate the rhetoric of anti-corruption into practical measures has been directly influenced by the scale of certain scandals. That is, very high-profile scandals are likely to have acted as a catalyst for increasing political action against corruption. This paper focuses on the scandal that occurred in 2001 during the intensive investigation of the money laundering scheme organised during the 1990s. This is the starting point in my analysis of the anti-corruption discourse in Serbia over the past decade. In analysing the scandals I look at the strategies employed by politicians, practitioners and civil servants to achieve their political agendas. The findings prove that most actors take one of

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<sup>1</sup> I thank the Centre for the Study of European Governments (CSEG) University of Nottingham for supporting financially my empirical work in Serbia for this paper.

the following positions. They either share information about corruption scandals with the public in order to gain legitimacy for anti-corruption action, or they coordinate their joint response and avoid talking about the scandals in order to reduce political costs. The paper will also discuss the impact of the scandal on legitimacy of the political elite in Serbia in the early 2000s.

### Political scandals and Discursive Institutionalism

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Since the mid-1980s, there has been growing interest in political scandals worldwide and in their impact on the quality of governance (Rothstein, internet; Uslaner 1998), on political culture (Allen and Birch 2011, Pawelke 2010), on public trust (Memoli 2011; Dafydd 2005) and on electoral outcome (Maier 2011; Vannucci 2009). Most of this literature posits the dysfunctional argument and suggests that corruption scandals have a purely negative impact on political life in established and developing democracies. Significantly less research has been done on political scandals and ensuing institutional formation, since scandals were understood as an extra-institutional phenomenon, and are therefore unhelpful in analysing institutional formation and change. Discursive Institutionalism (DI), however, has provided an applicable theoretical framework for the analysis of discourse and its impact on institutional setting.

DI is a theoretical approach which appeared as a result of the shift of focus in political science to ideational processes.<sup>2</sup> It was named the *ideational turn* (Blyth 2002), *discursive institutionalism* (Campbell and Pedersen 2001: 1–24), *constructivist institutionalism* (Hay 2006: 56–74) or *strategic constructivism* (Jabko 2006). It was Vivien Schmidt who articulated these intellectual streams into a coherent theoretical approach embracing researches about discourse from various perspectives and with different ontological and epistemological assumptions (Schmidt 2010: 65–82, Schmidt, internet). Current issues that the researchers are concerned with include the relationship between ideas and political action, strategies of public persuasion, the importance of deliberation for political legitimacy, and the concept of change in history and culture (Schmidt, internet).

2 More precisely, “the turn to ideas undermines the basic premises of the older institutionalisms, i.e. that institutions are in stable equilibria, with fixed rationalist preferences (RI), self-reinforcing historical paths (HI), or all-defining cultural norms (SI)”, Schmidt 2008: 304.

As for definition of discourse, DI defines it as both the substantive content of ideas<sup>3</sup> and as “the interactive processes that serve to generate those ideas and communicate them to the public” (Schmidt and Ra-daelli 2004: 197). Moreover, discourse is not understood as the only dimension of political life. It is analysed within the institutional settings where the economic, historical or cultural explanations of the change are also taken into account. This makes discursive institutionalism different from certain post-modernist views “that understand reality as all words” (Schmidt 2006: 12) and analyse text without context. Discursive Institutionalism views ideas both in terms of the core concepts of rational choice theory (interests and rational decision making) and in terms of the concepts underpinning the culturalist approach to institutions (values and appropriateness). On the one hand, according to DI, there are *cognitive ideas* that appear as formalisation of the first two levels of ideas – policies and programmes – and contain concrete guidelines for political action. Cognitive ideas are often based on scientific knowledge and rational explanations of the problem aimed at providing efficient solution. On the other hand, *normative ideas* are based on values and they aim at legitimisation of policies and programmes by assessing their appropriateness.

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Discursive institutionalists find it relevant to explain why certain ideas fail and other succeed; why they fail in certain countries and in others they are successful. Therefore, two spheres are differentiated where discourses are created and performed. The sphere of policy-making is where *coordinative discourse* represents the tool for policy makers to create, elaborate and coordinate their action as members of *epistemic communities* (Haas 1992) or *entrepreneurs* and *mediators* who facilitate the change (Fligstein 2008; Fligstein and Mara-Drita 1996). On the other hand, between the policy sphere and public sphere is where *communicative discourse* is formalised and used by policy actors to present, deliberate and legitimise their political ideas in front of the general public.

How do actors actually bring change to institutions? In creating and maintaining institutions, agents use their *background ideational abilities*, i.e. the ability to make sense of the rational or ideational rules within the given setting.<sup>4</sup> With that in mind, Schmidt argues that the

3 As opposed to other institutionalist approaches which focus primarily on interests, values or institutional performance.

4 The concept of ideational abilities had been elaborated earlier by macro-sociologists – such as Bourdieu, Foucault, Habermas, Giddens – but their approach to this

complementary concept of *foreground discursive abilities* is the key component in explaining institutional change. Discursive abilities or the logic of communication “enables agents to think, speak and act outside their institutions even as they are inside them, to deliberate about institutional rules even as they use them, and to persuade one another to change those institutions or to maintain them” (Schmidt 2008: 314).<sup>5</sup>

From the perspective of the analysis of discourse, corruption is conceptualised not as a fixed state caused by a certain combination of variables, but as a topic of narratives used to interpret and explain political reality. This perspective enables a better understanding of the current problems in Serbia, such as the identity formation of political parties, agenda setting or voting behaviour. Moreover, the analysis of political scandals may shed light on the use of anti-corruption discourse for political or party gain which may be perceived as a form of corruption in itself.

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### The Money in Cyprus Scandal<sup>6</sup>

One of the first scandals that occurred after the democratic changes in 2000 in Serbia was related to the illegal financial transfer from Serbia to Cyprus organised by the previous regime. The exact amount of money has never been reported but it was estimated that \$11.5 billion were illegally transferred from the Federal Republic of Yugoslavia (FRY) to the Republic of Cyprus between 1992 and 2000.<sup>7</sup> Part of these funds was

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concept was focused more on how individuals create and develop ideas, and did not go into “the processes by which institutions change, which is a collective endeavour.” See: Schmidt 2008.

5 The concept of discursive abilities has its origin in the idea of “communicative action” by Habermas (1996) and in the literature on discursive democracy by Dryzek (2000) where the focus is on breaking the elite monopoly on national and supranational decision-making and ensuring access to that process.

6 This paper is a part of a wider research based on a qualitative analysis of the political scandals occurred in Serbia between 2000 and 2010. The list of six scandals most frequently mentioned by the media – two scandals during each government over the decade – is the result of a NEXIS-based search using the words *Serb\**, *corrupt\**, *scandal\**, *embezzle\**, *brib\** and the equivalent terms in Serbian, using the BETA and EBART databases. After collecting the data, the corruption scandals were coded according to the actors and type of corruption involved. The research is designed as a *case study within a case study* and this paper will present one of the six political scandals as the starting point in the analysis of the anti-corruption discourse in Serbia.

7 The international sanctions were introduced against FRY on 30th May 1992. According to the UN SC resolution 474, all financial transfers to the country were considered unlawful, except for the payments for medical or humanitarian purposes and food. The formal channels of money transfer were replaced by the informal and illegal ones. National Bank of Yugoslavia and the ruling Socialist Party of Serbia

used for military expenditure which was investigated by the International Criminal Tribunal for the former Yugoslavia (ICTY) as a part of the indictment against Slobodan Milosevic.<sup>8</sup> This paper, however, focuses on the money that the businessmen close to the state authorities in 1990s illegally transferred to their private bank accounts in Cyprus. The state-run investigation of this money laundering scheme started in 2000 and obtained the character of a scandal when the investigation was abruptly cancelled. The reason for the cancellation was not communicated to the public or investigated by the judicial authorities in Serbia. The aim of this paper is to examine the relation between this scandal and the institutional change in the field of anti-corruption as well as the impact of the scandal on political trust.

In October 2000 the Democratic Opposition of Serbia (DOS) came into power. The coalition was determined to reform the political and economic systems and to bring Serbia back to the group of democratic European countries. The new government symbolically started their mandate by signing the contract with citizens which set targets for their first year in power.<sup>9</sup> The term corruption was frequently used during the electoral campaign and afterwards but the discourse about corruption was not fully developed. Open debates about corruption were a novelty in the public life in the post-Milosevic Serbia and they were often overshadowed by other more developed discourses – such as those related to the state sovereignty, Europeanization and organised crime. The new government, however, presented to the public that the investigation of the money in Cyprus was as an event of high importance. The

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established contacts with the banks in Cyprus, Switzerland, Russia and other countries, and opened branches of the state owned banks and off-shore companies in those countries. The money in cash was carried from Serbia abroad, deposited in the banks abroad and from there legally transferred to the bank accounts in over 50 countries. The money originated from the confiscated citizens' savings and from the illegal trade (oil, drugs, cigarettes, arms trafficking etc.) organised and supported by the authorities in Serbia during the 1990s.

8 For more information about the investigation within the Milosević's trial, please see: Torkildsen, internet or Human Rights Watch, internet.

9 Program of the Democratic Opposition of Serbia, 2000: "As citizens of Serbia and candidates for MPs, we would like to let the public know that our intention is, once we enter the Parliament, to withdraw privileges of the state officials, to stop discriminatory attitudes of the authorities towards the citizens and to change fundamentally the current unsuccessful state policy. We will carry out the radical changes starting from ourselves. By signing this document we commit ourselves to regain citizens' trust in the institutions, to root out corruption in governing bodies and public institutions and to start united the thorough reforms with the aim of bringing back to Serbia its equal position among the European countries", Program of the Democratic Opposition of Serbia, internet.

investigation was expected to bring justice to the society and to punish those who “betrayed citizens’ trust and took advantage of their life savings” (*Insajder*, internet). Moreover, the extensive amount of money, if had been recovered, would have helped the devastated Serbian economy and enable a smoother transitional process. Besides the moral and financial reasons, the investigation of this case was an opportunity for the new political elite to prove their readiness to fight corruption and organised crime which would distinguish them markedly from the previous regime.

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As mentioned above, the ICTY conducted the investigation of this case, since Milosević’s government could have used it for army expenditure in the region. However, there were suspicions that large amounts of money were illegally transferred to private bank accounts of politicians and businessmen close to the previous government. There are indications that the highly positioned members of Milosević’s regime destroyed relevant documentation at the moment of the change of regime on 5th-6th October 2000. Therefore, before the investigation started the new government could rely only on the information available from the ICTY and Cypriot authorities.<sup>10</sup> In January 2001, the Serbian government established the Commission for Investigation of Malfeasance with the mandate to investigate the illegal financial transactions from 1989 to 2001. The head of the commission was Vuk Obradović, Deputy Prime Minister and leader of Social Democracy. Two months after assuming the mandate, he was forced to resign due to the allegation of sexual harassment. The scandal happened immediately before the adoption of the Law on extra-profit and it coincided with Obradović drafting a highly confidential document – the list of businessmen in Serbia who illegally acquired their wealth during the 1990s.

Another important member of the Commission was the governor Mladjan Dinkić who was in charge of providing the government with reliable evidence and documentation in order to facilitate the recovery of the money from abroad. Governor Dinkić was already familiar with this case,<sup>11</sup> but only after the change of regime, was he able to initiate the

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10 For the same reason of unavailable sources, this paper is mostly based on the media coverage of the case, including the documentaries produced by investigative journalists including *Insajder: Državna pljačka države* broadcast by TV B92 in 2007 and the series of reports *Demokratska pljačka Srbije* published by the daily newspaper  *Glas javnosti* in 2005, both available online.

11 Mladjan Dinkić, as a young academic at the Faculty of Economy, at University of Belgrade conducted research on the topic of the sate run money laundering scheme.

investigation by institutional and diplomatic means. the governor and his team visited Cyprus and met with the local politicians and bankers who offered to help with the case. Upon his arrival back to Serbia, in March 2001, the governor optimistically commented on the progress of the investigation:

We identified the bank account, we identified the name, we know when the transaction took place, we also know the exact amount of money, but we don't want to make this information public yet, because we're waiting for Cypriot authorities to reply next week to the additional documentation that we had sent to them (*Insajder*, internet).

Several months later, the governor halted the investigation and stopped informing the public about the case. He never gave a comprehensive and coherent explanation why the investigation was cancelled and why the organisers of the money laundering scheme were not brought to justice. The media, instead, reported a number of explanations. In the interview in 2007 the governor said that he stopped the investigation for personal reasons.<sup>12</sup> Afterwards, the governor explained that this was a very complex case of international organised crime and that he lacked reliable sources and technical support to fight it.<sup>13</sup> Another explanation

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In his book *Economy of Destruction* (Belgrade, Stubovi kulture 1997) he described the mechanisms of the financial transactions that Milosević's regime established with Cyprus.

12 Governor: "At the end of 2001 I literally stopped trying to do any serious investigation. My enthusiasm lasted about a year, but afterwards I realised, I said to myself – you can't do it." Journalist: "Did you have the right to give up? It wasn't your private investigation after all." Dinkić: "I didn't give up... I gave up as... I admitted to myself that I couldn't do it. There are moments when you say to yourself – you can't do it, nobody can. The issue was beyond my capacities, beyond my ability." *Insajder*, internet.

13 In the interview to TV B92 (*Insajder*, internet) in 2007 the governor said: "It is unrealistic to expect that any government after Milosević would be capable of solving this issue without getting help from outside. We were offered some help at the beginning but only in words; there were several meetings as well but practically we didn't get any help." In the same interview the governor explained: "Police investigator Mladen Spasić found about 350 million DM [Deutsche marks], if I remember well, on one of the bank accounts... on one account only. And we asked Americans to help us to block the account; we contacted the Hague Tribunal as well and the first answer from them was – we'll help you with this. A week later they called us to say that we were mistaken, that there had been no money whatsoever, that the account didn't belong to anyone related to Serbia. That's still an enigma to me, that's the only enigma here... it was the first time that we discovered something, and we were really happy and excited about the fact that we finally discovered something." The report of the ICTY investigator Morten Torkildsen confirms the governor's claims of the complexity of the case: "In my career, I have never encountered or heard of an off-shore finance structure this large and intricate. I consider that to conduct an overall and comprehensive analysis of what happened to all of the funds that was deposited

offered by the media was that the Serbian governor could not tackle certain political obstacles. For instance, among the crucially important people in the money laundering scheme was the Cypriot lawyer and politician, Tassos Papadopoulos, who became president of Cyprus in 2003. This circumstance made the investigation more difficult, since the Cypriot authorities were not motivated to cooperate fully.<sup>14</sup> Among the most intriguing explanations in the media was that the governor actually benefitted from the investigation and illegally acquired profit for himself or the third party. These suspicions arose from the fact that the governor did not regularly inform Serbian authorities about the progress of his investigation.

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Besides the state-run investigation, there have been several more attempts to recover the illegally transferred money from Serbia. For instance, Serbian businessman based in Cyprus, Predrag Djordjević, had conducted private research and gathered relevant information about the illegal financial transfers.<sup>15</sup> He was critical towards the state investigation and he filed a complaint against the governor for abuse of office.<sup>16</sup> The businessman argues that several offshore companies in Cyprus involved in the money laundering remained active after the governor identified them which may indicate that the governor had interest in not blocking them. According to Djordjević, the governor had enough evidence to inform the authorities in Serbia about the illegal financial scheme which he did not do. Another party in the investigation was the London based company Forensic Investigative Associates (FIA). In February 2001 the National Bank of Yugoslavia hired the agency to help them in the investigation of the illegal banking transfers to Cyprus.

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or transferred into the bank accounts of the eight Cypriot companies would almost be impossible and would be an extremely resource intensive exercise." Torkildsen, internet.

14 According to the Serbian governor, Cypriot authorities were not genuinely interested in cooperation when he visited them in 2001: " ... they obviously let us search for something that wasn't there anymore and they knew it wasn't there. They let us search for a needle in a haystack, so to speak, but the needle wasn't there, it was in some other haystacks in some other country", *Insajder*, internet.

15 Djordjević became involved in this case in 1994 when the payment to his bank account was transferred to another bank account without his authorisation. Djordjević assumes that this was a mistake in the money laundering scheme between Serbia and Cyprus. He sued the offshore branch of Serbian bank *Beogradska banka* for the unauthorised money transfer, but the case was never processed by Cypriot judiciary. When Milosević's regime fell, Djordjević was willing to share the results of his private investigation with the new government and to offer them help in dealing with the case.

16 Djordjević complaint is available in Serbian at [www.srpskapolitika.com/Tekstovi/Komentari/2006/075.html](http://www.srpskapolitika.com/Tekstovi/Komentari/2006/075.html)

Half a year later the contract was terminated because the National Bank was not satisfied with the progress on the case. Political leader of New Serbia and a member of the ruling coalition, Velimir Ilić, also offered his help in the investigation. In April 2001 he travelled to Cyprus and tried to recover the money through his personal contacts. The attempt was again unsuccessful.<sup>17</sup> In parallel with this, minister of justice, Vladan Batić, contacted the banks in Switzerland in order to trace the money transfers,<sup>18</sup> but the efforts were unsuccessful. The last time when the problem of the money in Cyprus was officially addressed was on 7th March 2006 during the official visit of the Serbian president Tadić to his Cypriot counterpart Papadopoulos. The presidents exchanged their views on the case and agreed that despite all efforts the illegal banking transfers could not be traced. The media on both sides, however, critically reported about the meeting: “Papadopoulos’ statements were false and Tadić’s nebulous” (I.K., S.P., internet).<sup>19</sup>

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As the investigation of the money in Cyprus was losing its momentum, the public speeches about it were decreasingly frequent and enthusiastic. After several unsuccessful attempts to recover the money, Serbian authorities changed the approach to the problem.<sup>20</sup> They introduced a tax on illegally acquired capital during the 1990’s according to

17 This attempt was cancelled because Ilić’s contacts in Cyprus allegedly asked for 10 mil dollars to recover what was left of the documentation that Papadoulos and his co-workers had previously destroyed. The Serbian government and the governor did not accept the offer. Ilić and the governor accused each other of benefiting financially from the investigation. Ilić publicly accused the governor of monopolising the investigation and sabotaging it for personal and political gain (See: Milivojčević, internet and *Insajder*, internet).

18 Vladan Batić, minister of justice (2001-2004), was allegedly offered the dossier on this case by Carla del Ponte, chief prosecutor for war crime at the ICTY. Thanks to her, the minister learnt about six bank accounts in Switzerland belonging to Milosevic’s relatives and friends. However, the Serbian Prosecutor’s office did not provide the Swiss bank with relevant documentation and did not initiate investigation within three months as it stipulated Swiss legislation. Therefore, the bank accounts were unblocked and the money legally withdrawn.

19 More about Tadić’s visit to Cyprus in: Akar 2006, Charalambos 2006 and *FoNet*, internet.

20 In July 2001, the National Bank of Serbia, led by governor Dinkić, initiated the reform of the banking system and the liquidation of the insolvent banks. One of them, Beogradska Banka, was involved in the money laundering scheme through its off-shore subsidiary in Cyprus. The Serbian businessman Djordjević sued the governor for destroying the evidence about the illegal financial transfers to Cyprus by liquidating Beogradska Banka. The liquidation of Serbian banks is connected with another political scandal involving again Mladjan Dinkić, this time as Minister of finance in 2003. This scandal discovered irregularities in the work of the National Savings Bank and the direct intervention of high ranking state officials in private business.

the Law on extra-profit<sup>21</sup>. The law was criticised for its revolutionary-political character and for huge discretionary powers of the authorities in its implementation. Moreover, the law was described as retroactive – it covered the previous 12 years – and in collision with other laws (Prokopijević, internet). It was not uncommon that the implementation of the Law was informally negotiated between the political and business elite.<sup>22</sup> The opposition claimed that the inconsistent implementation of the law resulted in the informal contracts between the richest businessmen and the political parties in power. According to the economic expert Prokopijević:

“... [t]he results of enforcement of the extra-profit law are disastrous to its authors – until August 2002 just 60m USD has been collected, although 800m USD was expected” (Prokopijević, internet). In Jun 2002 the Law was abolished and the Secretary of the Commission for Investigation of Malfeasance, Slobodan Lalović, resigned. He explained that:

... [t]he implementation of the law was so poor that there are more fingers on one hand than businessmen who paid the tax on extra-profit. Economic benefit is below the expected and the major part of the illegally acquired wealth was not subject to taxation. The rich businessmen keep their capital abroad which raises the issue of the selective approach to the implementation of the law (*Insajder*, internet).

The law provoked a heated debate about the understanding of illegality. On the one hand, the critics argued that the law enabled the rich businessmen to buy out their freedom by paying a one-off tax. On the other hand, some members of the public argued that the law was a genuine attempt to bring justice to the society and to compensate

21 *Law on One-Occasion Taxation of Extra Revenue and Extra Property Acquired by Using Special Privileges in Period January 1, 1989 – June 1, 2001* was adopted in June 2001 and abolished in June 2002.

22 One of the companies subject to the Law belonged to the then Minister of Interior. Under Milosevic's regime this company benefited from the privileged position and made an “extra-profit” of four million Deutsche Marks. When this was made public, the minister addressed the authorities in an open letter stating that taxation of the companies like his is “politically destructive” and will harm “the healthy part of the economy which survived Milosevic's times” (*Insajder*, internet). The Minister of Finance and Economy at that time, Božidar Đelić said in the interview to *Insajder* (internet): “Well, you know how it goes, it's not that someone gives you a ring and says – hey listen, can you reduce the tax to this guy? What they say is – look, our party would like to vote for the budget, but one of our distinguished party members has problems with the Revenue office about the extra-profit. What I say to them is – good, I'll give a press conference and say this to the public, then we'll see what happens. And they say – no, no, don't do that... That's how it works.”

the impoverished citizens for their financial losses during the 1990s.<sup>23</sup> Moreover, they argued that the businessmen subject to the law should not be treated as criminals buying out their freedom, since Serbian legislation in the 1990's did not directly regulate business-state relations. The third party in the debate, the experts in anti-corruption, the state anti-corruption policy must not be based on this kind of taxation. They insisted, instead, on investigation of the origin of the capital and on confiscation of the illegally acquired goods.<sup>24</sup> However, this change in policy has not occurred. The lack of a thorough and systematic investigation of the capital acquired during the 1990's subsequently resulted in a number of irregularities and corruption scandals during the process of privatisation.<sup>25</sup> The evident return of the money from Cyprus back to Serbia through the privatisation as well as the absence of any legal investigation of the case have generated significant decrease of public trust in the political will and capacity of the institutions in Serbia to tackle the problem of corruption. The following words of Verica Barać, Head of Anti-Corruption Council from 2003 to 2012 illustrate the bitterness and cynicism of the public debates referring to the scandal:

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23 Interviews with Josip Bogić from the Fight against Organised Crime of the Serbian Ministry of Interior UBPOK and governor Dinkić available at *Insajder*, internet. Interview with Dinkić conducted by Sanda Savić available at [www.b92.net](http://www.b92.net).

24 The most prominent advocates of this idea include Čedomir Čupić (member of the Anti-Corruption Council at that time) and Verica Barać (Head of the Council 2003-2012). See: Trivić, internet.

25 Statements of the political leaders and practitioners in anti-corruption on this matter include: Verica Barać, Head of Anti-Corruption Council 2003-2012: "It is obvious that that money [illegally acquired] is returning through privatisation; I'm sure that the previous government and this one as well think that it's normal not to check it; what matters to them is that the money is back, no matter how... The process of privatisation is going on for so many years and we never found out if the origin of that money had been checked or not" (*Insajder*, internet).

Mladjan Dinkić, governor National Bank of Yugoslavia 2001-2003: "After 5th October when the privatisation started those who adopted the Law on privatisation never stipulated any control of the capital origin or any kind of company ratings; instead, the idea was to let the money in because we're a poor country, the more money we get, the better for us, better for the state. So, a privatisation like this brings about dodgy funds. I don't know what kind of funds these are and if they are legal or not, nobody can say that ..." (*Insajder*, internet).

Božidar Đelić, minister of finance 2001-2004: "I can ascertain that not a few privatisations have been done with the funds from Cyprus, Panama, Luxembourg, Virgin Islands and so on. As a responsible person I can't tell you that this is evidence, but we all very well know that the money is being recycled this way, absolutely", (*Insajder*, internet).

Dragomir Janković, Executive director of the European Economic Institute: "When ninety percent of privatisation in Serbia was finished, they adopted the law on investment funds, when the privatisation was almost completed, this doesn't make sense" (*Insajder*, internet).

... as for Dinkić abandoning that business [the investigation of the money in Cyprus], I see it as the crucial moment for his later successful career. It might be that back then he didn't have enough information or that he didn't have the right people to work with, but the question is why wasn't he interested in it later when he was in a higher position and had more power, for instance, when he became minister of economy? Obviously, because he discovered evidence of what was really going on in Serbia; because he realised that if he had continued asking question it would have led him to somebody's secret bank accounts, secret police and protected people who are allowed to buy Serbia with that money and secure their power in the country. If he had uncovered the case, probably, he would never have become either governor or minister. He realised it himself, for sure, and decided to take the side of the stronger. He gave up, so to speak. Our authorities abandoned all the promises they made in 2000 anyway. All their promises. They realised that it's more convenient to make a pact with tycoons who actually have the power and money and intelligence service and control over many other centres of power, so they [Serbian authorities] considered it more profitable to join them than to undertake complicated and difficult reforms which can endanger their position in power after all... (Trivić, internet)

## Discussion

The starting assumption of the Discursive Institutionalism is that ideas – articulated as discourses and communicated by political actors – can have transformative power on institutions. Schmidt argues that for a discourse to be successful, it has to be coherent – even when communicated in different contexts and conveying different ideas – since coherence adds to its credibility (Schmidt 2008). She also suggests that “although discourses are most often successful if true, coherent, and consistent they need not be any of these things. Successful discourses may be manipulative, they may lie, they may be ‘happy talk’ or ‘spin’ to obscure what political leaders are really doing, and they may even be vehicle for elite domination and power ...” (Schmidt 2008: 311). Schmidt admits that establishing the norms for evaluation of the transformative capacity of discourse is a difficult task, but she explains that there is a large number of criteria that can serve as indicators for success.<sup>26</sup>

26 Schmidt 2006:13 offers a brief review of the research on evaluation of discourses. It has been conducted through “... process-tracing of ideas held by different actors that lead to different policy choices (Berman: 1998); through matched pairs of country cases where everything is controlled for except the discourse to show the impact of discourse on welfare adjustment (Schmidt: 2002) through speeches and debates of political elites that then lead to political action (Dobbin: 1994); through opinion polls and surveys to measure the impact of the communicative discourse (Koopmans: 2004); through interviews and network analysis to gauge the significance of the coordinative discourse etc”.

We suggest that the alternative way of analysing the transformative power of discourse should focus on the three interactive elements – *being*, *doing* and *saying* – constituting identity of a political community (Schmidt 2011; Habermas 1996). In the case of Serbia in the early 2000's, the anti-corruption discourse in the Money from Cyprus Scandal evidently contributed to the institutional trans/formation. The self-identification (*being*) of the new political elite was clearly expressed in their electoral programme and supported by their actions against corruption (*doing*). However, the inadequate *saying* about the action brought the former elements into question. The political elite failed to recognise and constructively deal with communication strategies which gave room to the informal interpretations of the scandal and growing mistrust of the public, opposition and intellectuals in the new government.

In abandoning the investigation and reducing the scope of the related anti-corruption policies the political leaders enabled new corrupt practices to appear. At the level of discourse, abandoning the investigation reduced the transformative and mobilising power of the anti-corruption debates. Moreover, further use of anti-corruption rhetoric contributed to the delegitimisation of the government's *doing* and *being* in the field of anti-corruption. Last, the failure of the democratic bloc in power to produce an adequate communicative discourse coincided with its fragmentation. The joint response to the public was replaced by the separate communicative discourses which were aimed at the strengthening of self-identity (*being*), legitimacy for action (*doing*) and communication (*saying*) of the individual political parties and not of the coalition as a whole. It can be argued that the inability to act jointly and consistently against corruption at the level of discourse triggered competitiveness among the political groups and parties within the ruling coalition.<sup>27</sup>

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## Conclusions

In its transition to democracy, Serbia persistently struggles with the problem of corruption. The local elites exacerbate the situation further by using corruption scandals for political gain. This paper explored the ways in which a scandal accelerated the adoption of anti-corruption laws and transformed the institutions in line with the aspirations of the political leaders. Most of the existing research about corruption scandals is based on quantitative discourse analysis. This research, however,

<sup>27</sup> These preliminary conclusions will be re-examined after the analysis of the remaining five scandals selected as case studies is completed.

addresses the aspects of political scandal that cannot be addressed with quantitative methods, such as the historical and socio-political context in which the scandal takes place. *The Money in Cyprus Scandal* occurred in the early years of the new democratic government. At the beginning of the investigation of the illegal financial transfers to Cyprus by Milošević's government, the *being* of the political elite was consistent with their *doing* and *saying*. However, when the investigation was cancelled – whether for political and financial obstacles or for personal aspirations of the political actors involved – the communicative discourse became dysfunctional. Lack of a coherent top-down communication added to the disappointment with the anti-corruption action and to the decrease of public trust in politicians and democratic institutions.

Primljeno: 20. februar 2013.

Prihvaćeno: 22. mart 2013.

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### Marija Zurnić

Diskurs o borbi protiv korupcije i institucionalne promene u Srbiji: afera „pare sa Kipra“

#### Apstrakt

Tema ovog rada je afera iz 2001. godine u vezi sa finansijskim transakcijama između Srbije i Kipra tokom devedesetih. U radu se analiziraju strategije koje političari, državni službenici i stručnjaci u oblasti borbe protiv korupcije primenjuju kako bi kroz javne debate odbranili svoje interese. Rezultati ukazuju da se većina učesnika opredeljuje za jedno od sledeća dva načina: javno objavljivanje informacija o aferi kako bi se stekla legitimnost za anti-korupcijsko delovanje, ili koordinisano izbegavanje rasprava o aferi kako bi se umanjila moguća politička šteta.

**ključne reči** afera, korupcija, diskurzivni institucionalizam