

Corporate imperialism : The Zones of Exploitation in Serbia
Корпоративни империјализам : Зоне експлоатације у Србији

Milenko Srećković

Corporate Imperialism

The Zones of Exploitation in Serbia



Milenko Srećković
Corporate Imperialism
The Zones of Exploitation in Serbia
December 2015

Milenko Srećković
Corporate Imperialism
The Zones of Exploitation in Serbia
December 2015

Publisher: Freedom Fight Movement (Pokret za slobodu)

Review and afterword: Nenad Glišić and Saša Perić

Proofreading and translation into English: Dr Vladimir
Bogićević

Cover design: Ivana Virijević

Layout and print: Neopress design&print

Number of copies: 500

The book is published with the support of Rosa Luxemburg
Stiftung – Southeast Europe.

Milenko Srećković

Corporate Imperialism

The Zones of Exploitation in Serbia

December 2015

Content



Word of the Author	7
The Zones of Exploitation in Serbia	9
Regional “Racing to the Bottom”	22
“Free Zones” in the World	25
Corporate “Legal Certainty”	27
Corporate Imperialism	29
Afterwords:	
- “Free Zones” Paradox (Saša Perić)	49
- Freedom Behind the Fence (Nenad Glišić)	52
Biography	59

List of Tables, Maps and Charts

Map 1. “Free Zones” in Serbia	30
Table 1. Total Number and the Year of Establishment of “Free Zones” in Serbia	31
Table 2. Total Number of Companies in “Free Zones”	32
Table 3. Producers in “Free Zones” (in 2014)	33
Table 4. Date of Foundation and Beginning of the Work of “Free Zones”	38
Table 5. The Founders of the Free Zone Management Company and Their Share in the Founding Capital	39
Table 6. General Incentives Provided to the Foreign Investors by the Republic of Serbia	41
Table 7. Additional Incentive Measures Proposed by the Free Zones Development Strategy in the Republic of Serbia for the Period 2011-2016	45
Chart 1. Number of “Free Zones” in the World	46

Word of the Author



In this book we will present our initial illustration and critique of corporate imperialism: based on discovered data, we will expose how it manifests itself in Serbia and in what ways Serbian economic policy surrenders to corporate interests. This publication will be followed by its sequels, where we will broaden the field of subject matter dealt with in here, but also the discussed problematics, here focused on the zones of exploitation in Serbia (the so-called “free zones”), will be supplemented and elaborated in subsequent editions of this book, as soon as we obtain additional and new relevant data, at the moment concealed behind the wall of silence of the state institutions. In the last year members of the Freedom Fight Movement, together with the author, collected the information that make up the backbone of this book. In that research, of great help to us were officials of the Commission for Information of Public Importance, who acknowledged all our complaints against the refusal of various state authorities to allow us access to information necessary for compiling this report. We also express our gratitude to the foundation Rosa Luxemburg Stiftung – Southeast Europe, with whose financial support we conducted this research and thanks to which this book has seen the light of the day.

We hope that this publication will contribute to unmasking of the dominant political dogmas and will open up prospects for devising alternative to currently ruling exploitative corporate policy.

December 2015

Milenko Srećković

The Zones of Exploitation in Serbia



Serbian economic policy for the last fifteen years has persistently and primarily relied on foreign investments as the best, and often the only solution to widespread unemployment. Arrival of any company, no matter how small, even mere opening of a new production plant are being used by politicians for self-promotional purposes – which reaches its peak during pre-election campaign. However, although this political strategy dominates our economy for already more than decade and a half, unemployment is still around 19.2%,¹ while youth unemployment is no less than 43%. There is no any greater progress in fighting unemployment because, in the first place, arrival of foreign companies was accompanied by mass shutdown of local industrial giants. In many industrial towns defunct local companies were replaced by foreign ones – which would take over former employees, but in much lesser number and under much more unfavorable working conditions.

¹ The real unemployment is the most likely much higher, considering that the National Employment Service erases from the unemployment register anyone who does not comply with prescribed procedural requirements, regardless of that person still being unemployed.

The same policy, under the authority of the Ministry of Finance, should also be credited for establishing “the free zones”: territories of some Serbian municipalities where corporations have been granted special privileges for starting export-intended production and opening new jobs. Although first two “free zones” in Pirot and Subotica became operational already in '98, their blossoming is linked to the rising of pro-European, neoliberal forces after the year 2000 (all the other “free zones” were established after 2005). The companies within “free zones” framework are enabled to do business without paying customs duties on import of production material and on export of finished products, as well as without paying value-added tax, while the state, in cooperation with municipalities, provides them with necessary infrastructure, reduces their construction tax and financially subsidizes their almost every open job² – which means, it allows them to operate without paying full price of production, whose costs are being transferred, to a considerable extent, to the state or society as a whole. In this publication we will examine the consequences of such policy, as well as efficiency of that model of economic development, by analyzing information on companies operating in “free zone” regime, gathered during the one-year period by the members of Freedom Fight Movement. Object of some future study, however, should also involve wider analysis of numerous foreign companies that do not operate in “free zone” regime, but which received state subsidies for job creation too, in order for picture of corporate policy in Serbia to be complete. Although it is difficult to get access to complete information on what is happening behind closed doors of factory plants, and about many abuses

² Until the completion of this publication we still did not receive data from the Ministry of Economy about amounts of all monetary incentives for opening jobs in 47 companies operating in the free zone regime. On November 24th the Ministry asked from Freedom Fight Movement for additional time to deliver these data, so we will present them in the next edition of this publication.

workers, out of fear of losing their jobs, do not wish nor dare to speak, here we will single out a couple of cases representing reality of “free zones” in a very different light as opposed to their picture drawn by lobbyists, politicians and government representatives.

In Serbia the term “free zone” represents official title of the Ministry of Finance for “physically enclosed and marked part of the territory of the Republic of Serbia, equipped with infrastructure, where production and service activities can be performed with certain stimulative benefits”³. At this moment “free zones” take place in 14 Serbian municipalities, and establishment of the new ones is already announced⁴. According to data for 2014, 262 user-companies operate in “free zone” regime – out of which 164 domestic and 98 foreign ones. Most of the companies are engaged in service activity, and just 47 of them in production – whereby out of these 47 production companies 31 are in foreign ownership, and 16 in domestic. The total number of employees in companies operating within the “free zones” is 19,255,⁵ which constitutes somewhere around 1.13% of the total number of employees in the whole country.⁶ As a leading argument supporting establishment of the “free zones” it is claimed that they contribute to opening of the new jobs. However, in order to get a clear picture of their importance for the growth of employment, we need to compare the number of 19,255 employees with the number of around 36,000 workers that in its time employed “Zastava” from Kragujevac alone – with the re-

³ Definition given on the Free Zone Management webpage.

⁴ In 2015 it was announced that the 15th free zone will be opened in Belgrade.

⁵ Data on the number of employees refers to the end of 2014, while table number 3 shows number of companies in “free zones” and number of employees for every year between 2010 and 2014. In the next edition of this publication we will update information with data from 2015.

⁶ In January 2015 the Statistical Office of the Republic of Serbia announced that the total number of registered employees in Serbia in September 2014 amounted to 1,704,932.

mark that even for a good part of these 19,255, it should not be thankful to the introduction of the “free zones”. Namely, it should keep in mind that this number is not achieved only by attracting new investors in already existent “free zones”, but also by increasing the number of “free zones” in order to include already existent producers, i.e. companies that have operated in Serbia even before they became part of some “free zone”. That is how, for instance, in 2010 the total number of employees within “free zones” went up to 7,853, which in regard to 2009 made an increase of entire 59.78% – but this increase was actually result of beginning of work of “free zones” in Kragujevac and Užice, whose companies employed around 2,900 workers even before they started operating in the “free zone” regime.

The Free Zones Administration established within Ministry of Finance has begun to work at the end of 2008, and under its jurisdiction are all issues related with functioning and development of “free zones”, as well as promotion aimed at attracting potential investors. The Law on Free Zones from 2006 provides that every “free zone” is to be managed by Free Zone Management Company, which determines organizational and technical requirements for carrying out activities in the zone and delivers annual report on business operations taking place there to the Free Zones Administration. It is indicative that not one of these reports contains a single sentence dedicated to the state of workers’ rights and to the working and union conditions in the respective companies. In the official documents of the Free Zones Administration “unemployed, well educated and cheap labor”⁷ is pointed out as a general convenience for foreign investors in the Republic of Serbia, and the same “advantage” is highlighted also in a pro-

⁷ *Free Zones Development Strategy in the Republic of Serbia for the period 2011-2016, Government of Serbia, March 24th 2011, p. 12.*

motional spot aimed at attracting foreign investors, which the Government of Serbia broadcasted on American television CNN – which directly provoked Confederation of Autonomous Trade Unions of Serbia to declare that such “shameful advertizing campaign confirms that the true goal of changes of the Labor Law and other ‘reforms’ is production of poverty, which will, hand in hand with high unemployment, pave the way for the arrival of companies interested only in making profit, with minimal investments and salaries as low as possible”.⁸ With such campaign of Serbian Government it is no wonder that wages of those employed in foreign companies operating in Serbian “free zones” are considerably lower than wages of their colleagues, equally professionally qualified, who work in countries from which these companies originate. To this strategy of attracting foreign investors at all costs also contributes decision of the Government of Serbia to keep minimum wage at miserable 121 dinars, i.e. 1 euro per working hour.

In mentioned reports on business operations within free zones in the Republic of Serbia, from year to year the same conclusion is persistently repeating – that “the current development of free zones has not fulfilled expectations by now”. But instead of bringing into question the very concept of privileging foreign corporations, authors of the report suggest introduction of additional stimulative measures – by which they primarily refer to additional tax reliefs for users of “free zones”, but include some other benefits too. Directors of Free Zone Management Companies, as well as directors of companies operating in “free zone” regime, are the first in line in this lobbying for greater privileges. “Free zones” can be found in neighboring countries too, which often leads to mutual com-

⁸ SSSS: *Sraman spot o Srbiji na CNN-u*, Beta, December 2nd 2014.

petition in attracting foreign investments: and this as a rule results in general increase of corporate privileges and in lowering standards of protection of workers' rights. The threat of relocation of production and emphasizing "more favorable conditions" in neighboring countries are regular methods for extortion of these privileges.

Among the founders of "free zones" (table 5) one can find companies that have already operated in the territory of the Republic of Serbia too, and which, by that founding, subsequently obtained privileges of operating in "free zone" regime for themselves – which clearly shows that zones are not used just to attract new investors. In the Report on Business Operations within Free Zones in the Republic of Serbia for 2013 it can be read that some investors, in the agreement signed with the Government of Serbia, insisted to operate in "free zone" regime,⁹ which was the reason why four more new "free zones" were formed 2012. Out of 13 existent "free zones", those in Zrenjanin, Smederevo, Šabac and Kragujevac were established by foreign companies for their needs, having at the same time secured their majority ownership in free zone management companies, while "free zone" in Svilajnac was formed by the Municipality of Svilajnac itself, for the needs of one single foreign company that operates in its area. Majority capital of these Free Zone Management Companies belongs to the very companies operating in the "free zones", making them superior to themselves and giving them possibility of limiting control and access of foreign state institutions responsible for control of their business operations.

Reports on business operations within free zones expresses downright doubts in economic justification of some "free

⁹ *Annual Report on the Operations of Free Zones in the Republic of Serbia 2013*, the Free Zone Management, p. 27.

zones” and proposes measures by which criteria for assessment of economic justification of establishing “free zones” should be made more strict in order to “lessen the pressure on forming new free zones, especially those which would encompass producers that already operate in the territory of the Republic of Serbia”.¹⁰ Even before them, certain foreign analysts have claimed that “free zones” do not have any other purpose but to grant tax reliefs to companies that would make investments in anyway.¹¹

According to the Report on Business Operations within Free Zones in the Republic of Serbia, decision to abolish the tax incentive for “free zones” users engaged in production activities, i.e. to abolish a 100% reduction of calculated tax on profit of legal entities for profit made by performing production activities within “free zone”, was interpreted by most of these users as a “legal uncertainty”. However, that tax incentive was adopted in January 2012 and abolished in December same year, having not enough time to be implemented at all, nor it was in effect at the moment when users started their business operations in the “free zones”: therefore, above decision could not possibly damaged them in any way, which just confirms that the concept of “legal certainty” is being abused for providing additional corporate privileges, which we will analyze in the second part of this publication.

Even though the Free Trade Agreement with Russian Federation, which entails that the most part of the goods produced in the Republic of Serbia can be exported to the Russian market duty-free, would allow foreign investors to access that market too, provided that they ensure majority domestic partic-

¹⁰ *Annual Report on the Operations of Free Zones in the Republic of Serbia 2012*, the Free Zone Management, p. 34.

¹¹ *Export Processing Zones or Free Zones – the experience seen from a trade union point of view*, Jesper Nielsen, International advisor of the United Federation of Danish Workers.

ipation in the final product, the share of foreign production materials in companies operating within “free zones” is still disproportionately larger than of domestic ones. In 2014 domestic production materials made just 15.76% of total production materials used for the purpose of production process.¹² It clearly shows that added value of local economy is of little significance. In promoting “free zones” their contribution to transfer of technology and technological upgrading of the industry is frequently emphasized: but considering that production of companies operating in “free zones” takes place in enclosed enclaves, practically cut off from the rest of economy, and that they import the most part of production materials, while technology they use is and remains in their private property, it becomes quite unclear what exactly constitutes this “contribution”. Besides, the most common forms of production represented in “free zones” are technologicaly simple production operations which require torturous and exhausting work of employees, using light and easily portable production machines, not difficult to relocate to other factories or move to other countries. It proves that “free zones” are to some extent isolated from the rest of Serbian economy, and that their economic impact is by all odds inconsiderable.

Transfer of technology can be defined as “a process by which results of research are transformed into new or improved products or services which then are being placed on the market”¹³. It is more than obvious that within “free zones” there are no any researches, but only application of already fixed and commercialized production operations – and that, for the most part, very simple ones. In the Free Zones Development Strategy in the Republic of Serbia for the Period 2011-2016, adopted by

¹² *Annual Report on the Operations of Free Zones in the Republic of Serbia 2014*, the Free Zone Management, p. 28.

¹³ *Transfer tehnologije*, Web Portal of the University of Rijeka.

the Government of Serbia in 2011, it says, inter alia, that “free zones” are supposed to attract technologically more complex production processes,¹⁴ which is an implicit recognition that they did not accomplish that in the previous period. It also recommends forming our own research centers, hi-tech parks and development incubators at free zones locations, but, to our knowledge, that has not gotten quite far. A special study is needed in order to analyze the extent to which transfer of technology such as the one taking place within “free zones” raises the general level of industrial and economic development, and whether government subsidies would be more efficiently spent on investment in academic researches and similar projects of more long-terms benefits for the economy.

In the same Free Zones Development Strategy the use of “facilities and infrastructural capacities abandoned in the process of transition”¹⁵ is advised within the model of economic development based on attracting foreign investors. Then it adds: “Free zones can be a lever of economic development, especially in those towns and municipalities where the industry is extinguished. Out of locations and facilities of existent socially owned enterprises, which are not privatized, having infrastructurally equipped land and built production halls, it is possible to organize work of free zone”.¹⁶ However, out of entire inventory of destroyed social enterprises, foreign companies are the most interested in their workforce which left without jobs due to the privatization. On the occasion of opening Italian footwear manufacturing factory “Geoks” in Vranje at March 2014, the then Prime Minister of the Government of the Republic of Serbia Ivica Dačić asserted that everything should be done for the sake of preserving existent

¹⁴ *Free Zones Development Strategy in the Republic of Serbia for the period 2011-2016, Government of Serbia, March 24th 2011, p. 15.*

¹⁵ *Ibid, p. 17.*

¹⁶ *Ibid, p. 19.*

jobs or creating the new ones. Such statement, from the man who spent many years on high positions of that very government responsible for reducing the number of Vranje workers in economy from 30 thousand to 6,¹⁷ cannot be understood as anything but blatant cynicism. The Government subsidized opening of “Geoks” in Serbia with 11,250,000 euros and to the town itself granted 100 million dinars for arranging land in the “free zone”¹⁸. But in spite of these amounts, building of the factory has been followed by strike of the workers of construction company “Kocić”, who worked on that job three months without payment¹⁹ – and employment in this Italian factory, so generously supported by the state, found only inconsiderably small part of workforce, formerly employed in Vranje public companies. Foreign companies, especially in the case of certain industrial sectors, prefer to place their investments in locations that have established tradition of such production, because in that way they can count on both skilled workforce and existent production plants.²⁰

In Serbian “free zones” wages are proverbially low, and working conditions at an impudent level. Workers’ salary is several times smaller than the salary received by workers in the country of company’s origine. Companies investing in Serbia actually just relocate some production unit from highly industrialized mother-state to the country offering them as cheap as possible business conditions. Parallel to this relocation, however, transfer of standards of protection of workers’ rights does not occur too. Government representatives describe “free zones” exclusively as a project that attracts

¹⁷ *Sjaj i beda vranjske industrije*, Danas, March 16th 2015.

¹⁸ “Geox” also acquired around 11 hectares of land for free, and was exempt from paying building land development fee and sign board fee. Besides, a traffic road of 200 meters was built, connecting the location of “Geox” with Bunuševac’s road.

¹⁹ *Štrajk radnika koji grade “Geox”*, OK radio, March 20th 2015.

²⁰ *Razvoj industrije i promocija investicija u Vojvodini – priručnik za lokalne samouprave*, Naled, 2014.

foreign investments and leads to opening of new jobs, while persistently ignoring the facts that many workers in those companies are exposed to extremely inhuman treatment, that they are ruthlessly exploited and underpaid, and that some of them even died in the workplace – and that precisely in those companies cited as examples of successful investment.

That corporate profit is the primary aim of “free zones” is proved also by absence of union organizing in almost all companies operating there – with the exception of those previously owned by the state, whose unions actually date back from that time. In all the other, “originally” private companies, there is no any trace of trade unions. According to the words of Ištvan Huđi from the Confederation of Autonomous Trade Unions for the town of Subotica: “There is always fear of being fired because of union activities and also employees working in companies within the “free zone” are the most often hired for a limited time only, which reduces their interest in forming trade unions”. The President of the Confederation of Autonomous Trade Unions for the town of Zrenjanin Nikola Kovačević says that in the majority of companies operating in the “free zone” there is no union organizing: “In the previous period there were several attempts to organize trade union organizations by our trade union, but, out of fear that they can easily lost their job because of union affiliation, employees were not in the mood for this, and also employers themselves are not too glad to see trade union in their companies”.

In the company “Tigar Tyres” d.o.o.,²¹ which is in 100-percent ownership of “Michelin Finance (Pays-Bas) B.V.” from

²¹ Serbian Government has committed to invest 30 million euros in the period 2015-2018 as a support to this company, within the framework of the “Big Tigar” project in the Municipality of Pirot (with the total value of 215 million), whereby the company has obliged to employ 500 workers for an indefinite period of time, and not to reduce the total number of employees in the next five years.

Netherlands, and in “free zone” Pirot operates since year 2000, although union organizing held on yet from the time before privatization, work conditions are at a very low level; thus on April 23rd 2015 there occurred a work accident which resulted in the death of three workers a couple days later, while the other three suffered severe injuries.²² All this happened in the factory presented in public as “the successful project in Serbia” and in the “free zone” declared by the *Financial Time* magazine for one of the 50 best “free zones” in the whole world.²³

Free zone “Zrenjanin” was established, on its private property, by Slovenian company “Kolpa” from Metlika, the foreign company that has until then already operated for two years in the territory of the Municipality of Zrenjanin, since in 2003 it bought out shares and became majority owner of the Zrenjanin furniture factory “Žarko Zrenjanin”. In 2005, “Kolpa”, together with the Municipality of Zrenjanin, formed the “free zone” in Zrenjanin, the third in Serbia. This company is at the same time user of this zone and founder of the Free Zone Management Company with 90% share. Since the “free zone” was established in the territory that is in its property, the other companies lease their space from it.

²² Freedom Fight Movement requested from the Pirot Labor Inspection the report from the scene of the accident, as well as information about the measures taken, but these data were denied to us. Appeal against the decision of the Inspection is still pending, so we expect that we will, in the next edition of this publication, be able to present this case in more detail.

²³ On the basis of municipal decisions, companies in Pirot “free zone” are offered the following benefits:

- - For the construction of new facilities, investors in the zone are exempt from paying: city building land development fee, taxes and expenses of the municipal administration fee, city building land usage fee, connections to local water and sewer infrastructure usage fee and zoning requirements and approvals fee.
- - For exploitation of existing facilities, users are for five years exempt from paying: local utility taxes, city building land usage fee and 50% of the prices of utilities (taking out the trash etc.).

In the year 2012 in the “free zone” in Zrenjanin the German firm “DAD Draxlmaier Automotive” d.o.o. began its business operations, with 3,300 workers producing electrical installations for various car manufacturers. This company is one of the most notorious in Serbia for a high degree of exploitation and violation of workers’ rights²⁴ so that many workers had to seek justice through the courts. A large number of workers got sick due to the hard working conditions, while some have acquired permanent disability, a certain number of workers were illegally fired, and overtime work has not been adequately paid. The most common health issue causing disability is overtime work on repetitive tasks which leads to the hyperextension injuries. Workers were fired even because of absence from work caused by occupational and other diseases.²⁵

Although in 2012, during establishment of the free zone “Smederevo”, which was participated in by the Belgian company “Metech”, the arrival of five more Belgian companies was announced,²⁶ this did not happen. “Metech” began its business operations in Smederevo in 2005, when there still was no any free zone there, attracted by “a good climate for investment and high expertise of metal industry workers”.²⁷ Its Managing Director Edward Ruten however states: “What is extremely important and represents part of our strategy is to make our products in Europe, not in India and China, and the

²⁴ It is interesting that local director Boris Malagurski in one of his TV shows addressed working conditions in the South Korean company “Yura” operating in Niš, while he completely neglected working conditions in the German company “Draxlmaier” operating in the “free zone” in Zrenjanin, although both companies simultaneously gained negative publicity in the media for mistreatment of their workers. Whether it has something to do with the announcement that Slovenian company “Kolpa”, which is the founder of “free zone” in Zrenjanin, will finance his upcoming movie about Belgrade, or perhaps both of these facts have something to do with the circumstance that his father Branislav Malagurski is the executive of a limited liability company for managing free zone Zrenjanin?

²⁵ The attitude of “Draxlmaier” towards its workers is not a bit better than in neighboring Macedonia, which can be seen in the text: Marija Biševska, *Tekstilna industrija: plakatni primjer nesigurnih oblika rada*, Bilten – regionalni portal, July 24th 2015.

²⁶ *Osnivanje slobodne zone – nova radna mesta*, Web Portal of the Municipality of Smederevo, March 25th 2010.

²⁷ *Otvorena fabrika “Meteh” u Smederevu*, Web Portal of Government of Serbia, November 14th 2005.

only way for us to do so is by operating in the free zones, free of additional expenses that burden production”.²⁸

Free zone “Kragujevac” was established by “Fiat automobili Srbija”, a joint venture established in 2008 by the Italian company “Fiat Group Automobiles”, which has a majority ownership in it (67%), and the Republic of Serbia (33%). Contract on the Establishment of this company is to this day shrouded in darkness and inaccessible to the public under the pretext of trade secret. Anti-Corruption Council requested this contract for review, under the Law on Free Access to Information of Public Importance, but the state delivered it with all the provisions completely crossed out with black marker. Due to the fact that “Fiat” took over the factory “Zastava automobili”, the existing trade union continued to work in the new ownership arrangement. However, all the other companies operating in this “free zone” are “Fiat’s” subcontractors, with salaries noticeable lower than its own and without union organizing. The contract between the Government of Serbia and this Italian manufacturer expires in December 2018, so it is possible for it to depart unless production of the new car model is started.

Regional “Racing to the Bottom”

Constant rush in establishing “free zones” within entire region reduces their competitive potential to the extent that states are forced, if they want to continue with the policy of attracting foreign investments, to offer continuously more and more privileges to corporations. Hence in Article 1 of the Decision for Establishing Limited Liability Company for Managing of Free Zone Apatin, adopted by the Municipality of Apatin, it is clearly stated that the purpose of the company is “allowing business entities to operate with lower operating expenses so that their competitiveness on the world market would be enhanced”.

The more competition in attracting investments between countries in the region intensifies, the more corporations are being guaran-

²⁸ *Bez investiranja nema razvoja*, Naše novine, Smederevo, September 24th 2014.

teed increasing number of reliefs, incentives and privileges for doing business in the free zones. The most common and all-pervasive method of lobbying to obtain greater corporate privileges consists, as already said above, in pointing out incentives offered by neighbouring countries and in conditioning arrival or stay of the companies by enabling these same incentives for corporations investing in Serbia too. On this occasion we will mention just a couple of such conditioning. For instance, the President of the Group of Free Zones in the Serbian Chamber of Commerce Dragan Kostić, who is also the Chief Executive Officer (CEO) of Free Zone Pirot, in December 2014 professed that “it should continue to develop the concept of free zones in Serbia, especially in the form of the tax reliefs expected to be introduced in 2015, considering that at the moment free zones in Macedonia have better conditions than ours. They keep all zero taxes, while we have profit tax of 15 percent in free zones. Recently one German company decided to realize its investment in Macedonia instead of in Serbia, for these reasons exactly. I think that the Ministry of Finance and the Ministry of Economy became fully aware of this, so I expect new tax reliefs and for concept of free zones to get its true meaning, as it is in the world”.²⁹ Then in October 2015 Kostić proposed “that profit tax in all free zones be ‘zero’” and added that in Macedonian free zones “all state taxes are ‘zero’, beside state also giving additional resources to those willing to invest in that country”.³⁰ The same month, tabloid “Kurir” greeted the dawn with panic headline: “Serbia, 11 companies you gave away to Macedonia!”

In the same spirit, in already mentioned Free Zones Development Strategy, introduction of new stimulative measures for their users in the form of new tax reliefs is suggested – being justified by the example of Croatia, where the Law on Amendments and Supplements to the Law on Free Zones, which provides more tax reliefs for their users, was already passed.³¹

²⁹ *Piroćanac među sedam dobitnika na svetu*, Tanjug, December 24th 2014.

³⁰ *Slobodna zona Pirot među 50 najboljih u svetu – Neophodne dodatne pogodnosti za investitore*, Ekapija, October 20th 2015.

³¹ *Free Zones Development Strategy in the Republic of Serbia for the period 2011-2016, Government of Serbia, March 24th 2011, p. 11.*

Those who are amongst the most vigorous in lobbying for greater incentives are of course directors / CEOs of involved companies. Thus we have a statement of the director of Belgian “Metech”, in which it asserts that their business plans “are being disturbed by the decision of the Government of Serbia from the end of last year to reduce tax credit on the basis of new investments to 0%”. “For the sake of comparison”, adds Belgian director, “in Romania their Government returns 50% of invested resources for every investment in cash and in that way advances investing in their country. There is no such thing in Serbia”.³²

In the company of fans of this “who gives more” approach we find, finally, the Serbian Prime Minister Aleksandar Vučić himself, telling investors that: “We do not ask for charity, but to compete with everyone, to show you we have better conditions than others, so you can earn more money and make more profit”.³³ “If some of surrounding countries offer you some conditions, come to Serbia where you will get at least 10 percent better conditions than in any other place in the neighborhood” – said the Prime Minister at the Serbo-Italian business forum in the Serbian Chamber of Commerce.³⁴ Vučić, in other words, urged investors to invest in Serbia by stressing that in our country companies can rest assured they will be subsidized with “10 dollars more than elsewhere in the region”.³⁵ “If you get offer from Macedonia, Romania, Croatia, BiH, know that you can always get 10 dollars more from Serbia. Just come to Serbia, and you will get it”, said Vučić, adding that in this kind of self-deprecation no one can outrun us.³⁶

Still, one cannot said that the Prime Minister is not aware of the difficulties of such approach, having in mind that a few months earli-

³² *Nove investicije i zapošljavanja u fabrici “Metech” u Smederevu*, Naše novine, Smederevo, September 30th 2014.

³³ *Vučić: Srbija nudi najbolje uslove investitorima na Balkanu*, Tanjug, March 24th 2015.

³⁴ *Vučić italijanskim investitorima: Dođite, dajemo 10 odsto bolje uslove*, Tanjug, November 12th 2015.

³⁵ *Vučić Švajcarima: Dajemo 10 dolara više od komšija, samo dođite!*, Kurir, October 30th 2015.

³⁶ *Ibid.*

er, in April 2015, he recognized impropriety of criticizing loss of foreign investors in instances when some rival country promises them astronomical assistance, such is the case with Macedonia, where foreign investors get two and a half times more money than the investment's worth. In Serbia it makes 50 percent of its worth relative to the total investment, explained the Prime Minister, referring to the laws and regulations passed by the Government of Serbia.³⁷ "We think it is a big help. I believe we have better conditions than Macedonia. [...] We do our best, but can we race against someone who will give two or three times more money than the worth of investment... I am not able to it and it is not good", said he on that occasion.

Unfortunately, cooperation in establishing and respecting international standards in protection of workers' rights in companies operating within "free zones", as well as joint determining the upper limit in providing privileges to corporations at the expense of the workers, still does not exist among politicians in the region, not even as an idea, let alone as a reality

"Free Zones" in the World

It is estimated that in the world today there are between 3 and 5 thousand of "free zones".³⁸ They began appearing after WWII,³⁹ and experienced their bloom in eighties with the beginning of domination of market economy and trade liberalization. In the period from 1999 to 2002, 43 million workers⁴⁰ were employed in them, the majority of which worked in Chinese Special Economic Zones, which started to flourish after Chinese shift towards market liberalization in 1979. The other study from 2008 estimates that around 68 million people work in free zones.⁴¹ More than 1, 200 of "free zones" are in the private property, i.e. more than 3 thousand if we count the

³⁷ Vučić: *Investitori mogu da računaju na podršku države*, RTS, April 22nd 2015.

³⁸ Lotta Moberg, *Political economy of special economic zones*, Lund University, Sweden, 2010, p. 6.

³⁹ The first free zone was formed in 1959, at the airport Shannon in Ireland.

⁴⁰ *Free Zones Development Strategy in the Republic of Serbia for the period 2011-2016*, Government of Serbia, March 24th 2011, p. 3.

⁴¹ *Political priority – economic gamble*, The Economist, April 4th 2015.

zones with just one active company too.⁴² In the Middle East and North Africa there are in total 73 “free zones”, and more than a third of them are located in the United Arab Emirates.⁴³ The countries of the West Africa in which the regime of “free zones” exists did not attract a larger number of foreign direct investments than the countries without this regime. In the Sub-Saharan Africa the concept of “free zones” is supported in 33 out of 48 countries, but the number of investments is negligible.

The forerunner of the “free zones” was the investing of multinational corporations in the “banana republics”, which have given land, cheap labor and infrastructure, for export-intended agricultural production. These plantations became a symbol of exploitation of poor countries workforce. According to Jesper Nielsen, the International Adviser of the United Federation of Danish Workers, when in some of these countries small export tax was introduced, instead of stagnation or deterioration there occurred a social development. By him, the first wave of unionization gave a human face to foreign investments, despite strong opposition of corporations.

The most common objections against the “free zones” are that their administration is legally complicated and conflicting, that they are not worth of loss of income they enable, that they promote unfair competition and speed up lowering of standards, lead to the denial of basic workers’ rights, do not pay the social costs of production and may represent a health and ecological “ticking bomb” in the developing countries. The incentives offered to companies imply that they will not pay the full cost of their production; especially regarding social and reproductive costs of labor, health and environment protection, but also of maintenance of the infrastructure.⁴⁴

It is not unusual that employees work 12 to 14 hours a day, sometimes 6 or 7 days in a week.⁴⁵ This outrageous exploitation destroys

⁴² *Special Economic Zones*, International Finance Corporation – World Bank.

⁴³ *Free zones: Benefit and costs*, OECD Observer, No. 275, November 2009.

⁴⁴ *Export Processing Zones or Free Zones – the experience seen from a trade union point of view*, Jesper Nielsen, International advisor of the United Federation of Danish Workers.

⁴⁵ *Ibid.*

health and social life of workers, since these additional working hours pass at the expense of their rest and the time spent with the family. Workers quickly develop occupational diseases and due to the health issues are soon being forced to abandon these jobs.

Some of the methods of suppressing workers resistance, popular in the “free zones” all around the world, are creating non-collegial atmosphere permeated by fear and distrust, forming private workers’ organizations that imitate trade unions for the sake of signing collective agreements in the interest of employer (it even happened that presidents of those organizations were managers for human resources), immediate firing of all employees who discuss formation of the real trade union with their colleagues, signing fixed-term contracts which is sufficient not to renew to get rid of inconvenient workers etc.⁴⁶ It is noticed that the governments of many countries give up on enforcing their own labor and environmental laws when it comes to the foreign corporations. Besides, the existence of special free zones management companies prevents access of the state control institutions to the companies operating in “free zone” regime, while their autonomy hinders the establishment of trade unions in them since the access is denied to outside organizations.

It should also mention reports that in the “free zone” regime there occurs corruption in the form of bribing administration, as well as money laundering through false export invoicing and exaggerating its value etc.⁴⁷

Corporate “Legal Security”

An increasing number of “free zones” is in the private property, which futhered the formation of the idea that they are themselves competent for setting their own rules of doing business and labor legislation. From the concept of “free zones”, based on the principle of extraterritoriality – exemption from the measures of economic pol-

⁴⁶ Ibid.

⁴⁷ *Political priority – economic gamble*, The Economist, April 4th 2015; *Special economic zones – not so special*, The Economist, April 4th 2015.

icy in effect in the rest of the state – there naturally developed the concept of “charter cities”, a kind of state within the state, which has the right to create its own laws, that is to, according to the words of Lotta Moberg from the George Mason University, “regard the law as a service demanded by the companies”⁴⁸

Even outside “charter” cities there is a noticeable tendency of adjusting the law to the interests of political and economic elite, which allows corporations at the international level to operate without regulatory control and exempted from the law, thus being also guaranteed the unlimited profits. This is why many of them have annual income much higher than the gross domestic product of some rich countries. By privatizing legal norms and institutions, in order to “encourage investments”, in the interest of corporations the laws detrimental to the nature and workers’ rights have been passed, thereby eroding the rule of law, democratic institutions and popular sovereignty.

Interests of the corporations are being protected by a global legal framework based on the trade, investment rules and a multitude of regulations and agreements constituting a global corporate law. Whenever there occurs some attempt to rehabilitate state sovereignty over natural resources transnational corporations resort to the invocation of the legal security.⁴⁹ Corporations more and more often request damage compensation from the states before the international arbitration courts under the charges that by certain legislative changes damage was made to their business and that they were deprived of the right to make profit. The very change of the state policy is restricted by their insistence on legal security and on agreements signed with the previous governments. However, these agreements very often violate human rights and national sovereignty so it is completely legitimate for some political faction to come to power with the program for their termination, thus expanding the concept of legal security likewise to the human, and

⁴⁸ Ibid.

⁴⁹ Juan Hernández Zubizarreta, *The new global corporate law*; in: *State of Power – An annual anthology on global power and resistance*, Transnationale Institute, Amsterdam, 2015, p. 7.

not just corporate rights. This situation demands a necessary restriction of power of transnational corporations and putting the rights of the most of society above the rights of an insignificant number of owners of big capital.

Corporate Imperialism

In the development strategies externally oriented towards foreign investments a significant role is played by local comrador elite, made up of both politicians and businessmen, and dependent on transnational capital whose interests it supports. Precisely this relationship with transnational capital gives it ability of shaping state policies and strategy. Wealth and market dominance allow corporations to handle economic policy in their own interest. The main feature of the “free zones” is a high degree of exploitation, as in the form of workforce exploitation, so in the form of exploiting the high unemployment rate and general poverty in the “developing countries” like Serbia. Corporations increase their profits lowering the costs of business operations by relocating production to poor and underdeveloped countries where the workforce is much cheaper and where legal frameworks are more flexible. High unemployment rate forces workers to seek their job in these sweatshops in order to ensure at least minimum means of subsistence for themselves. Tolerating corporate profit increase at all costs entails irresponsible attitude towards workers’ rights but also towards natural environment. Positive sides of the “free zones” are being exaggerated by the authorities for which workers’ rights are not important priority and which struggle against unemployment base on short-term investments. The price that society pays for arrival of the companies operating in the regime of free zones is greater than the benefit from the jobs they provide. In order to attract investments state relinquishes its income frequently also in the cases when the investment would take place without any additional incentives. On the other hand, competition in attracting investors between various states leads to increasing reduction of standards in protection of workers’ rights and preservation of the environment. By this study we wanted to present a part of the picture of corporate

business in Serbia, and have pointed out what further researches could fill out this picture, while in subsequent editions of this book we will update presented information and include the new ones we can gather. Also, author hopes that this book will make at least small contribution to the emergence of so indispensable anti-colonial movement in this region. ■

Map 1. "Free Zones" in Serbia



Table 1. Total Number and the Year of Establishment of “Free Zones” in Serbia

Year	City	In total
1998.	Pirot and Subotica.	2
2005.	Zrenjanin, Pirot and Subotica.	3
2009.	Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	5
2010.	Šabac, Užice, Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	7
2012.	Smederevo, Kruševac, Šabac, Užice, Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	9
2013.	Svilajnac, Niš, Smederevo, Kruševac, Šabac, Užice, Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	11
2014.	Apatin, Svilajnac, Niš, Smederevo, Kruševac, Šabac, Užice, Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	12
2015.	Priboj, Vranje, Apatin, Svilajnac, Niš, Smederevo, Kruševac, Šabac, Užice, Kragujevac, Novi Sad, Zrenjanin, Pirot and Subotica.	14

Table 2. Total Number of Companies in “Free Zones”

	Total number of companies in “free zones”						Number of employees	Increase of the number of employees (relative to the previous year)
	Domestic		Foreign		In total			
	Service companies	Production companies		Production companies	Service companies	Production companies		
2010.	106		105		211		7.853	+59,78% ⁵⁰
	n/a	n/a	n/a	n/a	192	19		
2011.	94		67		161		7.929	+1%
	n/a	n/a	n/a	n/a	134	27		
2012.	89		84		173		14.579	+83,87% ⁵¹
	n/a	n/a	n/a	n/a	145	28		
2013.	126		100		226		18.313	+25,61%
	n/a	n/a	n/a	n/a	182	44		
2014.	164		98		262		19.255	+5,14%
	148	16	67	31	215	47		

⁵⁰ This increase in the number of employees in free zones is the result of the beginning of the work of “FAS free zone” from Kragujevac and free zone “Užice”, which already employed 2,900 workers.

⁵¹ This growth in the number of employees in free zones is the result of the increase of the number of employed in free zone “Zrenjanin” (additional 2,058 workers), in “FAS” free zone from Kragujevac (additional 2,317 workers), in free zone “Subotica” (additional 507 workers), in free zone “Novi Sad” (additional 24 workers), in free zone “Šabac” (additional 49 workers), in free zone “Užice” (additional 137 workers), while in free zone “Piro” the number of employees is reduced by 214 workers, that is by 5.20%.

Table 3. Producers in “Free Zones” (in 2014)

Free zone “Piroć”

- -“TIGAR TYRES” d.o.o. – production of pneumatics. Owned by “Michelin Finance (Pays Bas) B.V.” from Netherlands.
- -“TIGAR” A.D. – The founder of Free Zone “Piroć” Management Company, with majority ownership.
- -“TIGAR OBUĆA” d.o.o. – production of rubber footwear. Owned by “Tigar” A.D from Piroć.
- -“TIGAR TEHNIĆKA GUMA” – rubber products. Owned by “TIGAR” A.D from Piroć.
- -“TIGAR zaštitna radionica”.
- -“TERI ENGINEERING” d.o.o. from Belgrade – End-to-End solutions.
- -“BEST TOBACCO” d.o.o. – production of blank ciggarete tubes. Owned by Bulgarian citizen.
- -“D COMPANY” from Babušnica – production of tools for rubber industry.
- -“MOTUS PLUS” d.o.o. from Belgrade.
- -“NOVADIS” d.o.o. – production of sports equipment. Owned by French citizen.
- -“ZELENI PUT - PRO” d.o.o. – ecological products for household cleaning and natural cosmetics. Owned by Serbian citizen.
- -“SERBPAKIDŽING” d.o.o. from Bulgaria – production of plastic bags, sacks and bags. They lease knitwear facility from “Prvi Maj” from Piroć.

- -“SARLAH” d.o.o. – owned by workers’ consortium. Company for producing machine tools.
- -“PIROTEX TRIKO” d.o.o. – owned by Republic of Serbia. Company for vocational rehabilitation and employment of persons with disability.

Free zone “Subotica”

- -“SIEMENS LOHER ELEKTRO” d.o.o. – production of wind turbine parts and electric motors. Owned by “SIEMENS” AG from Austria.
- -“DUNKERMOTOREN” d.o.o. – production of blinds motors. Owned by “Dunkermotoren” GmbH from Germany.
- -“NORMA GRUPA JUGOISTOČNA EVROPA” – products for industrial purpose and distribution. Owned by “NORMA GROUP HOLDING” GmbH from Germany.
- -“CONTITECH FLUID SERBIA” d.o.o. – production of parts for automobile industry. Owned by “CONTITECH RUBBER INDUSTRIAL KFT” from Hungary.
- -“SWAROVSKI SUBOTICA” d.o.o. – production of jewelry. Owned by “SWAROVSKI INTERNATIONAL HOLDING” AG from Switzerland.

Free zone “Novi Sad”

- -“BELARUS-AGROPANONKA” d.o.o. – assembly and storage tractors. Owned by “Minski traktorski zavod (MTZ)” from Belarus (51%) and by “Agropanonka MTZ Finke” d.o.o. from Novi Sad (49%).
- -“NIS Gasprom Njeft” – part of the “Rafinerija nafte Novi Sad ” (Oil refinery). Majority owned by „Gasprom Njeft” from Russia.

- -“CONQUEST SRB” d.o.o. – production of communal equipment, equipment for arranging and maintenance of green areas, equipment for summer and winter road maintenance, urban furniture and equipment for children’s playgrounds. Branch of French group “Conquest”.
- -“FROBAS” d.o.o. – design, development and manufacture of electronic devices. Owned by German company “FROBAS” GmbH.

Free zone “Zrenjanin”

- -“KOLPA” d.o.o. – production of shower kabines, baths and hydro massagers. The founder of Free Zone “Zrenjanin” Management Company with 90% of founding capital. Owned by Slovenian company “Kolpa holding” d.o.o. from Metlika.
- -“LK Armatur” d.o.o. – production of steel pipes. Owned by “LK Armatur Aktiebolag” from Sweden.
- -“DAD DRAXLMAIER Automotive” d.o.o. – production of parts for automobile industry. Owned by “Lisa Draxlmaier” GmbH from Germany.
- -“Dat DRAEXLMAIER Automotivetechnik” GmbH – branch of German company in Zrenjanin.

Free zone “Šabac”

- -“SBE SERBIA” d.o.o. – production of parts for automobile industry. Owned by Italian “Vescovini group”.

“Fiat Automobiles Serbia Free Zone Kragujevac”

- -“FIAT AUTOMOBILI SRBIJA” d.o.o. – production of automobiles. Owned by “FIAT Group Automobiles” from Italy (67%) and Republic of Serbia (33%). Because of merging of “FIAT” and “Chrysler” the group’s name is now “FIAT Chrysler Automobiles (FCA)”, and in 2015 “Fiat Automobili Srbija” d.o.o. also changed its

name into “FCA Srbija” d.o.o. The founder of Free Zone “Kragujevac” Management Company with 100% of founding capital

- -“MAGNETI MARELLI” d.o.o. Owned by “Magneti Marelli” s.p.a. from Italy.
- -“MAGNETI MARELLI AUTOMOTIVE” d.o.o. Owned by “Magneti Marelli” s.p.a. from Italy.
- -“SIGIT” d.o.o. Owned by “S.I.G.I.T.-Societa’ Italiana gomma industriale Torino” s.p.a. from Italy (51%) and “Simest” s.p.a. from Italy (49%).
- -“JOHNSON CONTROLS AUTOMOTIVE” d.o.o. Owned by “Johnson controls investments (UK) Limited” from Great Britain.
- -“JCMM AUTOMOTIVE” d.o.o. Owned by “Johnson controls automotive” s.r.l. from Italy (50%) and “Plastic components and modules automotive” s.p.a. from Italy (50%).
- -“PMC AUTOMOTIVE” d.o.o. Owned by “PMC automotive” s.p.a. from Italy and “Simest” s.p.a. from Italy (16,98%).

Free zone “Užice”

- -“VALJAONICA BAKRA SEVOJNO” a.d. – copper production. Majority owned by “East point metals” ltd from Cyprus, which is a branch of “East Point Holdings”, whose owners are investment funds “RC2” from Cyprus and “Darby” from USA.
- -“IMPOL SEVAL VALJAONICA ALUMINIJUMA A.D. SEVOJNO” a.d. Majority owned by Slovenian company “Impol” d.d. from Slovenska Bistrica.
- -“IMPOL SEVAL TEHNIKA” d.o.o. Owned by “Impol Seval Valjaonica aluminijuma a.d. Sevojno” a.d.

- -“ATLAS” d.o.o. – production of furniture. Owned by domestic natural persons.
- -“COPPER COM” d.o.o. – trading and production of copper. Owned by domestic natural persons.
- -“MONTAJN” d.o.o. – Owned by domestic natural person.

Free zone “Smederevo”

- -“METECH” d.o.o. – production of sheet metal. Owned by “Metechco” from Belgium. The founder of Free Zone “Smederevo” Management Company with 30% of founding capital.
- -“PKC WIRING SYSTEMS” d.o.o. – production of cable components for commercial vehicles. Owned by “PKC wiring systems oy” from Finland.
- -“UNITEH” d.o.o. – production of compressor and equipment. Owned by “Uni comp.trade” d.o.o. from Smederevo, whose owner is a domestic natural person.
- -“MS-TECNOLOGIE” d.o.o. Owned by Serbian citizen.

Free zone “Kruševac”

- -“TRAYAL KORPORACIJA” a.d. – production of rubber and chemical products.

Free zone “Svilajnac”

- -“PANASONIC LIGHTING DEVICES SERBIA” d.o.o. – production of electronic components for lighting and LED lighting. Owned by “Panasonic Lighting Europe” GmbH from Germany.

Table 4. Date of Foundation and Beginning of the Work of “Free Zones”

“Free zone”	Date of foundation of the “free zone”	Beginning of the work of the “free zone”
Pirot	August 8 th 1996	April 1 st 1998
Subotica	July 2 nd 1996	December 22 nd 1998
Zrenjanin	July 21 st 2005	September 19 th 2005
Novi Sad	October 25 th 2007	March 21 st 2008/December 23 rd 2009 ⁵²
Kragujevac	November 5 th 2009	December 18 th 2009
Šabac	Decembar 24 th 2009	February 25 th 2010/December 22 nd 2011 ⁵³
Užice	June 24 th 2010	September 28 th 2010
Smederevo	April 20 th 2012	July 23 rd 2012
Kruševac	May 30 th 2012	November 28 th 2012
Svilajnac	March 22 nd 2012	March 21 st 2014
Niš	Decembar 23 rd 2011	Cancelled by the decision of the Serbian Government since no company started working there in two years after obtaining the grant for beginning of its work.
Apatin	January 14 th 2014	May 27 th 2014
Vranje	January 20 th 2014	September 1 st 2014
Priboj	March 23 rd 2015	October 15 th 2015

⁵² They were given temporary (21st March 2008) and soon after that permanent solution (23rd December 2009) for beginning of the work.

⁵³ They were given temporary (25th February 2010) and soon after that permanent solution (22nd December 2011) for beginning of the work.

Table 5. The Founders of the Free Zone Management Company and Their Share in the Founding Capital

“Free zone”	The founders of the Free Zone Management Company and their share in the founding capital	The founding capital
Pirot	“Tigar” AD, Pirot – 918.017,54 euros HK “Progres”, Pirot – 30.568,74 euros Municipality of Pirot – 166.217,54 euros “Eksplozivi Rudex”, Pirot – 67.346,76 euros “Unimetal”, Pirot - 53.017,66 euros	1.235.168,24 euros
Subotica	Assembly of the City of Subotica – 42,84% “ATB Sever”, Subotica – 42,84% “Javna skladišta” AD, Subotica - 1,79% “Bratstvo” AD, Subotica – 1,79% “Zorka-Klotild 1904”, Subotica – 1,79% “Magnotron” d.o.o., Subotica – 1,79% “Agroseme-Panonija”, Subotica – 1,79% “Pan-trade” d.o.o., Subotica - 1,79% “Yucom” AD, Donji Tavankut - 1,79% “D.O.O. za upravljanje slobodnom zonom Subotica” - 1,79%	25.290,26 euros
Zrenjanin	“Kolpa” d.o.o., Slovenia – 90% Municipality of Zrenjanin – 10%	1.000 euros
Novi Sad	“Javno skladište slobodna carinska zona Novi Sad” AD, Novi Sad – 25% “Petar Drapšin” AD, Novi Sad (in restructuring) – 25% “Asco Vidak” d.o.o., Futog (in bankruptcy) – 25% “Metals-komerc” d.o.o., Novi Sad – 25%	6.000 euros
Kragujevac	“FIAT Automobili Srbija d.o.o., Kragujevac	500 euros
Šabac	Municipality of Šabac	500 euros

Užice	Municipality of Užice – 33,33% “Valjaonica Bakra Sevojno” AD, owned by a consortium from Cyprus - 33,33% “Impol Seval Valjaonica Aluminijuma” AD, Slovenia - 33,33%	3.000 euros
Smederevo	Municipality of Smederevo – 30% “Metech” d.o.o., Belgium – 30% “Tomi trade” d.o.o., Smederevo – 10% “Mitrašinović” d.o.o., Smederevo – 10% “Inter-Mehanika” d.o.o., Smederevo – 10% “Nafta” AD, Belgrade – 10%	25.000 euros
Kruševac	Municipality of Kruševac – 40% “HI Župa u restrukturiranju” AD, Kruševac – 30% “Trayal korporacija” AD, Kruševac – 30%	50.000 dinars
Svilajnac	Municipality of Svilajnac	500 euros
Niš		
Apatin	Municipality of Apatin – 100% In early March 2015, distribution of the ownership capital changed: Municipality of Apatin – 70% Municipality of Odžaci – 25% “Standard Gas” d.o.o., Novi Sad – 5%	100.000 dinars 142.857 dinars
Vranje	Municipality of Vranje	10.000 dinars
Priboj	Assembly of the City of Priboj – 100%	100.000 dinars

*Table 6. General Incentives Provided to the Foreign Investors
by the Republic of Serbia*

- Location on corridor X connecting Europe with Near and Middle East;
 - Free Trade agreement with SouthEast Europe countries - CEFTA, with the market of 60 million citizens;
 - Free trade agreement with EFTA countries;
 - Free trade agreements with Belarus and Kazakhstan;
 - Free trade agreement with Turkey;
 - Free trade agreement with Russian Federation;
 - Unemployed, educated and cheap labor force;
 - Simplified regulations on foreign trade and foreign investments;
 - Shortened procedure for the establishment of companies - 15 days.
1. Low tax rates, and that:
- VAT - 18% (in free zones - 0%);
 - property tax - 0,4%;
 - capital gains tax - 20%;
 - corporate income tax - 10%;
 - earnings tax - 12%.
2. Special tax reliefs:
- Investments that are over 7.5 million USD and 100 additional employees are not subject of income tax for a period of 10 years;
 - Investment loans are given for a maximum of 10 years and with 20% tax reductions;
 - Tax benefits for employing new workers;
 - A loan in the amount of 40% of the investment value for investments in fixed assets;
 - Exemption from income tax for a period of five years for revenue from concessions;

- Exemption from income tax for investing in vocational training, vocational rehabilitation and employment of disabled persons;
- Two-year loans for undeveloped areas;
- Grants from funds for the development of agriculture, ecology, environmental protection, scientific research, etc.

3. Financial incentives

The Republic of Serbia provides financial assistance to potential investors. Based on the Decree on Conditions and Method for Attracting Direct Investments (“RS Official Gazette”, No. 34/10 and 41/10), the funds for attracting direct investments are provided in the budget of the Republic of Serbia. The funds can be used for financing investment projects in the manufacturing and service sectors which may be subject of international trade and for financing investment projects in the fields of agriculture, catering and trade.

The total funds that can be allocated are determined according to the creating of new jobs within the period of three years, and that for the investments in the production sector:

- from 4.000 to 10.000 euros in the devastated areas and areas of special interest,
- from 5.000 to 10.000 euros in car and electronic industry or industry of information and telecommunication technologies, and in the areas of special interest,
- from 2.000 to 5.000 euros in the other areas of Republic of Serbia.

For investments in the services sector that are or may be the subject of international trade from 2.000 to 10.000 per new job created in a period of three years.

4. Benefits to the business provided by the Law on Free Zones:

- The imports of goods and services into the zone and exports

of goods and services from the zone are unrestricted;

-Exemption from duties, VAT and other importing duties on the production material intended for exporting;

-Exemption from duties, VAT and other importing duties on the imported equipment, machines and construction material;

-The rights of the free zone users established by the Law on Free Zones can not be reduced by any other regulations;

-Import of all kinds of goods is exempted from customs duties. The goods from free zones can be placed on the local market if customs and other duties are paid. If the goods entering the customs area of the Republic of Serbia are produced in a free zone or subjected to manipulation with the participation of local component, duty is to be paid at the prescribed rate only for the foreign component in the goods;

-Import into the zone and export from the zone are unrestricted, that is the quotas, import or export licenses or other restrictions on foreign trade are not applied;

-The goods can be temporarily taken out from the zone to the other part of local territory, or brought into the zone from the other part of local territory for the purpose of refining (treatment, finishing, processing, installation, repair, quality control, marketing presentations etc) which allows great opportunities to connect with the local economy.

-Free transfer of profit made by performing activities in the free zone;

-The users of free zone can rent, buy or build themselves production, storage or business facilities;

-Using services of logistics center;

-Efficient administration in the free zone (*one stop shop*).

5. Possible stimulative measures of local self-governments (the example of free zone “Piroć”):

A. For construction work within the boundaries of free zone users are exempt from paying:

-fee for regulation of urban construction land;

-fee and expenses of municipal administration and issuance of documentation (public utility fees, town planning permit, consent, approval for construction, etc.);

-fees for the issuance of the conditions for joining the network infrastructure;

-fee for issuing approval for connection to infrastructure networks;

-fees for connection to infrastructure networks.

B. While exploiting facilities within a free zone for a period of 10 years from the time of issuance of the occupancy permit for the built facility users are exempt from paying:

-local utility taxes;

-fee for using of urban construction land;

-fee for utility services.

B. Special incentives for increasing employment in the free zone by granting subsidies based on the number of newly employed in the free zone user company.

Table 7. Additional Incentive Measures Proposed by the Free Zones Development Strategy in the Republic of Serbia for the Period 2011-2016

- To work with local governments on introducing exemptions from local taxes and taxes (package of incentives and tax exemptions from local governments);
- Exemption from VAT on usage of electricity, water, gas, and other utilities for production in the free zone regime intended for export;
- In the budget of the Republic of Serbia to plan means that the Free Zones Administration would provide to the projects, studies and infrastructural equipping of land for the purposes of free zones;
- To work with the relevant ministries on exploring possibilities of changing systemic laws that provide additional fiscal incentives for users of the free zone engaged in production activities;
- To provide benefits for the work of the users of free zones at local, regional and national level, and that:
 - financial – directly provided by the state, such as incentive loans or investment exemptions,
 - fiscal - exemption from the tax burden for direct foreign investment, import duties, taxes on capital gain etc; while proposing changes to the law of the tax system to include tax reliefs for users of free zones, namely: reduction of existing income tax rate, property tax and personal income tax,
 - indirect - providing the land and infrastructure at prices more favorable than market;
- To consider the possibility of changing systematic laws that provide additional fiscal incentives for users of the free zone engaged in production activities.
- To recommend to the local authorities to provide incentives for the development of free zones and industrial parks (exemption from municipal charges for the construction and exploitation of facilities in the free zone);

Chart 1. Number of “Free Zones” in the World



Afterword



“Free Zones” Paradox



The book of Milenko Srećković “Corporate Imperialism” poses numerous questions very important for our society and our state, addressing the problem about which in the local public as well as in the academic circles, unfortunately, it has been said very little or in a very one-sided manner. The concept of the “free zones” itself may under superficial consideration seem logical and justified – they are certain areas in which state reduces or abolishes taxation and other legislation, thereby attracting foreign and domestic investments, developing economy and opening new jobs. But if one just scratches a little below the surface of this rhetoric, it is easy to notice the complex and paradoxical nature of the “free zones”. There are many questions that can be posed and which may cast doubt upon justification of existence of such zones. Why the investment inflow is categorically set as the most important goal, valuable in itself, and why one does not take into account the real significance these investments have for the state and its population?

Whether the arrival of foreign companies is automatically a positive thing and what are the benefits the state gets if it gives up on taxes? Is the opening of jobs at all costs really necessary or should it pay more attention to the quality of their working conditions? Whether the opening of free zones is justified if their business is not “transparent”, not controlled by the relevant state authorities, and if

the contribution of those companies operating in them to the domestic economy cannot be directly and precisely assessed? Is there a reasonable suspicion that the causes of formation of these zones are the corruption of state authorities or international pressures?

Transitional rhetoric that is in effect the last 15 years is arrogant enough not to feel any need to justify certain actions before the local public. Hence the “free zones” are being presented as a great opportunity for the local economy, and what has been completely overlooked is the fact that opening a few thousand of underpaid, insecure jobs, with no full benefits, goes much more in favor of the corporations, being allowed to operate in extremely privileged conditions, than it would represent any long-term and proper solution to the problem of soaring unemployment. Unemployment in Serbia is a great social structural problem, and although the majority of the unemployed is happy if they find any job at all, the task of the state should not be seeking temporary solutions and one-time “patching holes”, but finding long-term systemic solutions that can guarantee stable and quality jobs, as well as prescribing appropriate standards in the protection of workers, socially endangered and everybody else’s rights, on the state level. In reality, unfortunately, the processes are taking place in a completely opposite direction.

“Free zones” represent just one of the problems caused by transition and adoption of the neoliberal paradigm. Privatization, started in agriculture, and slowly but surely spreading to all sectors of social life (education, health care, culture), in the “free zones” reaches some kind of symbolic climax. It turns out that what can be privatized are not just companies and assets used to be publicly or socially owned, but also the state sovereignty itself. By relinquishing some of its authorities, the state in fact waives its own sovereignty and consents to a sort of practical suicide (even just regarding a part of its territory). “Free zones” can therefore be seen as the ultimate instance of the process of liberalization, like the miniature dystopias where a full deregulation is implemented, where capital domination at last ended up in utmost deterritorialization, complete instrumentalization of all legal regulations and in a situation

where workers and citizens are left on their own in their struggle for bare survival.

This book should point out to some of the problems related to the nature and legitimacy of the “free zones”, while the following publications will certainly raise even much more extensive questions concerning transition, growing deprivation of workers, repeal of various forms of social protection, increase of poverty, unemployment and inequality. To initiate discussion on these issues is the first step in the process of raising awareness and opening dialogue which should involve various social strata, groups and individuals ready to engage in struggle for thoroughgoing reform of the society and radical rethinking of the existing order.

Saša Perić

Freedom Behind the Fence



The book of razor-sharp title, “Corporate Imperialism”, and of equally sharp subtitle, “The Zones of Exploitation in Serbia”, plainly by its theme – which are so-called “free zones” – pierces into the hub of key transitional problems. The very name “free zones” begs the question of from what these zones are exactly free and in what way? Then, not less important, why in commercial, business spheres the word “freedom” is so frequently used? And finally, when they already exist in such a great number – why so little is known about them?

To the first question there is no doubt the reader will get the answer right away from the book before him – as he will get quite a clear picture about possible reasons of the other, even without explicitly going into details and their implications, which could be the subject of a separate study. But the last one – why so little is known about the free zones – remains shrouded in secrecy, and that, as it were, twofold: as concealed concealment, the issue so out of the public sight that one is not aware even how, or why, to formulate it. And the whole thing is, actually, just the other way to ask the question: what is the essence of transition and the role of the media in that process? For, concealment in this case does not mean that free zones are not seriously and thoroughly analyzed at some conference, very possibly at multiple of them, and that certain papers are

not published in professional journals for social theory, or in proceedings from the aforementioned conferences. But, in mass media we are unlikely to find any sufficiently serious and clearly worded article that would explain to a wider reading audience, i.e. to the general public, what this is about and what it means precisely to have a “free zone” in one’s surroundings – and least of all the main thing: whether we become more free with a larger number of these “free” zones?

Namely, it is clear that, historically speaking, “free zones” are a phenomenon of more recent date. They make up one of the inventions of modern capitalism, whose basic tendency is to reduce the rights of the majority of “common” people – practically all who are not in possession of some more significant capital, i.e. means of production – to the minimum. Their purpose is, along with the other proven, traditional methods, to help the capital owners to maximize their profits with no major obligations to those who earn these profits for them. Under the sweet-sounding titles of “liberalisation”, relieving, flexibilization and so on, the old drama of injustice, exploitation and social crisis is being played out, only on slightly changed, strictly parceled stage, and with even more perfidious whisperings behind the scene. The biggest mystery is how they manage to pull off all that so impeccably, to make it function despite all its inner dysfunctionality, and avoid any more serious attempt of struggle and resistance? How it does not come to a halt even when the cogs of bodies, screwed into this hybrid of humans and machines, overstrain and compress themselves up to the point of rupture? Of course, the key for this answer is in organization, that is, in different degrees of organization between exploiters and the exploited. In short, these first, the exploiters, have better organization, which implies total control over the entire state-ideological apparatus, while these others, we, the most of the society, employed, unemployed, retired, and more and more of those without any status, have nothing of the sort. We are left with nothing but staggering within increasingly narrower space, choking in debt or in hopeless destitution, and gleaning crumbs of indefinitely growing profits, for the sake of nothing but a bare survival.

That is why it is for all of us of burning importance that transition processes be analyzed on sufficiently serious and understandable level. In order for those others, all of us, to have an idea of what is happening to them, an awareness of what affects our everyday life, how and to what extent it has been determined, and for how long. Because some of neoliberal measures implemented all around the world sometimes at first show positive macroeconomic results – or at least the ones capable to be presented as such. And after the initial statistical jump in most, if not all, the cases what follows is a brutal disenchantment and facing the truth that cannot be embellished or ignored even by the most biased and one-sided researchers: the more of these measures, the more poverty, the more injustice.

The study we have before us delves behind the propaganda facade consecrated by the ruling class media and examines the “free zones” from the perspective from which spokesmen of the system at all costs avoid to show them to us. Here we are presented, in other words, with concrete data on effects of this freedom, which is clearly, as the law prescribes, fenced with wire or some other solid material. The mentioned lobbyists and spin masters as the main motive for creation of these zones tirelessly emphasize propelling the economy and reducing unemployment – which, by the logic of things, must force us to wonder: why then the already existent economic capacities are being brushed off and workplaces shut down, only for much larger funds, usually from the budget, to be issued afterwards to foreign companies, which will employ a much smaller number of workers? Whereby, often, these firms are being subsidized per employee, while these employees in fact never see, nor have any use of these funds, which management and owners simply appropriate. This model is not restricted just to “free zones”, but applies to the majority of foreign “investors”: “zones” are there only to additionally increase the attractiveness of the country for the almighty foreign capital. Their true vocation is, therefore, to prove to all doubting Thomases that, in a wide range of possibilities of profit-making in the already ruined economy, but which can fall into

yet even greater disrepair, there is still one more model on which the owners of capital and their representatives can count.

Yet, although the “free zones” are a relatively new historical legacy, it certainly does not mean that they have not already shown all their capabilities and effects. So let us look at what of these effects is listed in this book, that is to what one could get for an exemplary display (and we are sure that there is still more of interesting, but unavailable matter): for the start, rights of employees at a low level – reported abuses, including even death cases; significant profits of foreign companies operating in these zones, which in no way reflect on the salaries of employees; a cursory glance at the records of the National Employment Service, from which it is more than clear that there is no increase in employment either – on the contrary, unemployment rises. In a word, in everything cited as the reason for establishing these zones there is no any improvement; it is possible to ascertain only decline. It should, of course, expect that there will be those who will defend all implemented measures to the end, contrary to the facts and to common sense, while blaming for their failure our Balkan mentality, communist heritage, or yet something from the inexhaustible racist repertoire: our backwardness, laziness, corruption... And there is also always welcome excuse that it takes time to catch up with modern achievements of economy and civilization, after years of languishing in unEuropean darkness. However, as in the case of the most of other measures prescribed as the recipes for fast and happy recovery, it is practically impossible to find the place where these achievements were “caught up with”, racial backwardness overcome, and where prescribed therapies bore some significantly different fruit.

Propaganda and structure of the ruling class is surprisingly shallow, but it does not mean it is easy to cope with its effects. It replaces profundity and serious argumentation with publicity and massiveness, with Goebbelsian broken records and cynicism, which is possible only because of the lack of serious organized resistance. In this context, 500 copies of this book will not make some significant and tangible difference. But it should also have in mind that aware-

ness, an exact knowledge of things, is the best weapon for attack and the most reliable stronghold for defense. Besides, thing has already gone so far that one must fight, literally, for every individual: and when we look at things from that perspective, these texts appear to us in a different light – as a very important incentive for building future resistance to the system of injustice. Even more important as the facts are presented understandably, for the wide audience, but not in the superficial manner. What should be there – it is there. On the one hand official data, on the other interpretation of all of their meanings, and that without primitive, tendentious “drawing water to one’s mill”. It all looks like a return to the good old rule – the truth is the strongest weapon.

And the truth of this world and this book, what should be insisted on, is: all of us, those others, deprived, disempowered, impoverished, fired – we are all just currency in negotiations among the bureaucrats of international capitalism and owners of big capital. We, well-trained workforce which does not ask for high salaries, thankful for the opportunity not to starve to death, happy to kick off at work, we who are expected to work in free zones, behind barbed wire or some other clearly set up fence, where some other laws apply and freedom means something else.

What freedom means in these places, behind these fences, you are welcome to read in this book. And do not hesitate to share this knowledge with others, and take it to the streets.

Nenad Glišić

Biography



Milenko Srećković is born in 1982 in Veliko Krčmare near Kragujevac. He finished elementary school in Rača and technical high school in Kragujevac. He graduated at the Department for General Literature and Theory of Literature of the Belgrade Faculty of Philology.

He is the columnist of daily newspaper “Politika” since November 2013. He is a founder of the Freedom Fight Movement (Pokret za slobodu), and as the Secretary of the Coordination Committee of Workers Protests he organized many protests against privatization theft.

He was editor of the Serbian edition of “Z magazine” (2007-2009) and of internet magazine in English, “Freedom Fight Info”. He also edited books in Serbian “Deindustrialization and Workers Resistance” (2011), “Land and Freedom” (2011), “Struggle for the Future” (2013) and “Landgrabbing – Resistance and Alternatives” (2014).

In April 2015 he published the book “Svako zaslužuje spas” (Everybody deserves to be saved), compilation of publicist works from 2013 to 2015.