

Croatia's ruling party in crisis

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One month before the December 4 general election in Croatia, the ruling party, the Croatian Democratic Union (HDZ), is embroiled in a deep political crisis. The nation's anti-graft bureau is investigating the right-wing HDZ for having a slush fund, which the party allegedly used to finance its election campaigns.

The focus of the investigation is a bank account containing 32 million Kuna (4.3 million euros) that the HDZ has allegedly amassed over many years. The media company Fimi Media is centrally involved. Many of its top managers have close ties to the HDZ.

In addition, according to Croatian press reports, open tenders for public construction works were a source of bribes amounting to millions that flowed directly to the HDZ or via intermediaries.

Political commentator Zarko Puhovski said the scandal could well lead to the liquidation of the HDZ's assets, which have been frozen as a result of a court order.

The HDZ is involved in an additional corruption lawsuit. Ivo Sanander, former party leader and top advisor of the current prime minister, Jadranka Kosor, is on trial. He is charged with taking illegal kickbacks in dealings with a troubled Austrian bank during Croatia's 1990s war, when he was deputy foreign minister. He was arrested this summer in Austria and extradited to Croatia to stand trial.

The former prime minister is also accused of illegally financing his party. Amongst other things, he is being investigated for obtaining €10 million in kickbacks from the Hungarian energy company MOL in return for granting it control over Croatia's oil and gas markets.

After Sanander resigned, Kosor took over as party chairman and ministerial president. She has always insisted that she knew nothing about any illegal transactions. However, sworn statements from (also arrested) former HDZ accountant Branka Pavoševic cast doubt on her claims.

Pavoševic asserted that the entire party leadership were well aware of the corrupt sources of HDZ finances. He said that the 2005 election campaign, in which Kosor ran (unsuccessfully) for president, was also financed from the slush fund.

Corruption and lack of accounting transparency are nothing new in the history of the HDZ. Founded in 1989, the party was from the start funded by dubious sources, the money being used under the leadership of Franjo Tuđman to pursue extreme nationalist policies. These policies hastened the fragmentation of Yugoslavia and its collapse into years of bloody civil war.

After the death of Tuđman in 1999, the HDZ experienced intense internal conflicts. Many party members who were deemed to be obstacles to the opening up of Croatia to the global market and its integration into the European Union were expelled on corruption charges. In 2003, the HDZ won the national elections and Sanander became prime minister.

The stringent austerity measures implemented by the HDZ provoked popular discontent and led again to internal conflicts. The HDZ was barely able to scrape back into power in the 2007 elections. Since then, it has had to rely upon the support of several small parties such as the right-wing populist Farmers Party.

The divide between the pro-EU leadership of Kosor and Sanander and the more nationalist majority within the HDZ has widened as a result of Croatia's recent application for EU membership in 2013 and the resulting pressure to fulfil EU entry requirements. Protests against the government's austerity measures have added to the difficulties of the regime.

Public opinion surveys reflect these political divisions and difficulties. A recent poll conducted by the television broadcaster HTV showed that 80 percent of those questioned believed Kosor knew about the slush fund. Only ten per cent said they would vote for the

HDZ in the December 4 elections, while 33 percent said they would vote for the opposition coalition, which is made up of four parties.

Leading EU politicians and business elites are increasingly unsure whether Kosor and the HDZ are in a position to carry out the new social cuts and privatisations that are a condition for Croatia's entry into the European Union. When she visited the Balkans over the summer, German Chancellor Angela Merkel made it clear to her Croatian counterpart that such "reforms" were a prerequisite for Croatia's admission to the EU.

Up to 70 per cent of Croats can expect reductions in their incomes and social benefits after the elections, regardless of who wins. Most Croats fear that the opposition coalition standing against the HDZ would implement these cuts particularly severely.

The leader of the Social Democratic Party (SDP), Zoran Milanovic, and the other leaders in the four-party opposition alliance are campaigning on the assurance that they will undertake all necessary measures to overcome the country's economic weaknesses and enable Croatia to enter the European Union.

The SDP arose out of the former Communist Party of Croatia (SKH). In the 1990 elections it stood as an alliance of two party fractions, SKH-SDP, winning nearly 22 percent of the vote. The SKH fraction, under the leadership of Stanko Stojcevic, was in favour of the preservation of the Republic of Yugoslavia and the gradual introduction of capitalist reforms. The SDP fraction, led at that time by Ivica Racan, was in favour of economic shock therapy and Croatian independence. Racan later became SPD chairman and state president.

Racan worked his way up the leadership after this election, and in November 1990 the party was renamed Stranka Demokratskih Promjena (SDP—Party of Democratic Reform). The name change represented a sharp lurch to the right. The SDP took up the nationalistic position of the HDZ and turned its focus to a thin layer of business people and wealthier sections of the population.

In the summer of 1999, the SDP allied itself with the liberal HSLS party to form a centre-left coalition which won the January 2000 election with 45 percent of the vote. With the help of six smaller parties, the SDP and HSLS were able to gain a majority in parliament and oust the HDZ, which had ruled for ten years.

Against the wishes of the people, Racan implemented far-going privatisations and social spending cuts. His coalition collapsed after only three years and the HDZ came back into power.

Whatever the outcome of the December elections, the new government will ruthlessly implement the austerity measures demanded by Brussels. These measures will accelerate the process of transforming Croatia into a low-wage region for European industries to exploit. Croatia's entry to the EU is designed to encourage other Balkan states, such as Bosnia-Herzegovina, Serbia, Montenegro and Macedonia, to follow suit under the same muster.



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