



WAZ and the Buy-out of the Macedonian Independent Press

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Preface

Between 22 September and 16 October the authors were in Skopje doing research on the take-over of the Macedonian press by a large German media group, the Westdeutsche Allgemeine Zeitung (WAZ). At the end of July 2003, WAZ became the majority shareholder of three Macedonian newspapers: Dnevnik, Utrinski Vesnik and Vest. The authors were on the scene during a period of intense activity: the new holding group for the three newspapers, Media Print Macedonia (MPM), had not yet been registered with the courts, and the director of the MPM, Srdjan Kerim, had just started his job and moved into his newly renovated office. This was also true for Petar Jankovski, the person who previously managed WAZ in Bulgaria and who was immediately under Kerim in the company in Macedonia. Negotiations between WAZ and the printing houses had not yet been concluded. Moreover, WAZ proposed to replace the chief editor of Utrinski Vesnik.

The state-owned publishing house, Nova Makedonija, was in the process of collapse. There was also a campaign in Macedonia to turn in all weapons that were still held among the various ethnic groups.

The Independent Press Before WAZ Ownership

Macedonia, a small country that has only 2.1 million inhabitants, has been an independent state since 1991. It is poor and is in transition to a free market capitalist system. One of the legacies of the old Yugoslav regime was the state-owned publishing house, Nova Makedonija, which held a monopoly on newspapers and their distribution. In 1996 Dnevnik began as an independent newspaper, i.e. independent of direct political influence. The newspaper was a success as it answered a generally felt need for change. In 1999 another independent newspaper, Utrinski Vesnik, was established, and one year later a third newspaper, Vest was launched.

At present the newspapers' current circulation is as follows:

Dnevnik, established in 1996, circulation 60,000

Utrinski Vesnik, established in 1999, circulation 25,000

Vest, established in 2000, circulation 30,000

With a combined circulation of 120,000 to 150,000, these three daily newspapers account for 90% of the entire Macedonian market

By comparison, recent figures for Nova Makedonija, the former state-owned, opinion leadership daily, show a decrease in circulation to 2,000 copies. Up to now the independent press has been a success story.

Dnevnik

The offices of Dnevnik are located on the third floor of a rented building in the centre of Skopje on Dimitrie Cuposki Street. The staff is young. A woman in her late twenties, who has been with the paper since its beginning, is responsible for final technical checking. The atmosphere is relaxed but busy, very different from the dark-light atmosphere of post-socialist societies.

Summary of separate interviews with the three founders, Branko Gerovski, Mile Jovanovski, and Alexander Damovski.

History

In March 1996 these three men, who were experienced professional journalists, established the publishing company Krug, Ltd. in order to launch a new, independent daily newspaper, Dnevnik. Each had previously worked for one of the two large government-controlled newspapers, Nova Makedonija and Vecer, but were unhappy with the constant political pressure exercised on these papers, and no longer wanted to work there. Branko Gerovski had helped out at the British Guardian for a few months, where he had experienced a different kind of journalism in which facts were kept separate from opinions. He liked this type of journalism and wanted to introduce it in Macedonia.

On his return, he, Mile Jovanovski, and Alexander Damovski founded Dnevnik. Branko calls this act “the editorial revolution”. In liberal intellectual circles in Macedonia the three men were regarded as heroes.

Financial Structure

The newspaper was begun with the financial support of the Soros Foundation in the form of a credit/gift of 100,000 German marks. It also received donations (computers) from the American Embassy, the Swedish Helsinki Committee, and the Dutch foundation, Press Now.

Development

The price of the daily was the same as that of other newspapers, 20 denars. By the end of the first year, when circulation failed to increase beyond 10,000 Mile Jovanovski decided to lower the price to 5 denars. Within a week circulation jumped from 10,000 to 30,000. The other papers were forced to follow this example: the real competition began. Branko Gerovski calls it the “price revolution”.

In 1999, the American Fund SEAF (Small Enterprise Assistance Fund) helped the company, beginning the “commercial revolution”. One of Dnevnik's problems was distribution: the existing system – selling newspapers from a kiosk – was monopolized by Nova Makedonija. Dnevnik initiated a system of placing vendors at street crossings in the centre of Skopje, which was a new phenomenon in Macedonia. Dnevnik bought a van to supply the country as well. “Running a newspaper as a business” became the new slogan. Now over 50% of the 32 pages contains advertisements. Growing bigger, better, or dying was to be the wave of the future. “When you see the supermarket Vero”, Branko Gerovski said, “then you think,

I want that too.” (Vero is a large supermarket introduced in Macedonia at the end of the 1990s with Greek capital.)

The Buy-out

Wanting to improve the newspaper to feature full-colour printing, more pages, supplements, advertisements, and better distribution, the company looked for a strong foreign partner. For this reason Alexander Damovski travelled to Zagreb in Croatia in December 2000, where the Europa Press Holding Company worked with the German WAZ on a joint, 50-50 basis. Damovski was impressed, and in February 2001 negotiations with WAZ started. The initial plan was for WAZ to participate for 50%, and that it should purchase an Albanian newspaper in addition to the Macedonian one. But the situation changed. Six months later, following the crisis in Macedonia, WAZ wanted more than 50% of the shares, was no longer interested in owning an Albanian newspaper but did want two additional Macedonian newspapers, Utrinski Vesnik and Vest, and it also wanted Srdjan Kerim to be the managing director of the three newspapers. Kerim is a friend of Bodo Hombach, one of the four managing directors of WAZ. Damovski did not agree and withdrew.

Damovski could not talk about the conflict - he probably signed a confidentiality agreement. He then resigned as chief editor because of “health problems”. Finally, WAZ bought 81.9% of the shares of Dnevnik for 5 million euro.

The current positions of the three founders:

- Gerovski forced the deal. His justification was that it would improve distribution and printing.
He earned enough money to announce his retirement as chief editor after two years. The young Dnevnik journalist Katerina Blazevska has been slated to become his successor. Gerovski sees his future as a columnist and author.
- Damovski withdrew. Recently he announced his intention to start a new daily, Vreme (Time). He plans to take several Dnevnik journalists with him to his new paper. The latest information calls for the newspaper to appear at the end of January 2004. The problem, however, is that WAZ controls the major print and distribution facilities. Damovski is looking for additional funding.
- Jovanovski went his own way long time ago, and founded a weekly magazine.

Mile Jovanovski was the “marketing genius” among the founders. He left Dnevnik three years ago to found the weekly Tea moderna, a women’s magazine with a circulation of 40,000. Mile Jovanovski is fairly sophisticated, and has a strong interest in culture and fashion. His commercial orientation is Western European, with an emphasis on high quality. One of the reasons he left Dnevnik was because “WAZ is a big boat”, and it is not possible to make one’s own decisions.” He believes editorial policy must reflect the owner, and not be independent of him. As the owner of Tea moderna, he is very familiar with this relationship.

Of the three founders, Alexander Damovski is the most intellectual. He was the first to seek an investor in 2000. While he was the “sorcerer’s apprentice” who released the influence of money, he did not want to give up his influence as chief editor.

Although Gerovski claims that Dnevnik always had a stable independent editorial policy, others have said that Dnevnik changed its editorial line with the change of government in 1998, when VMRO-DPMNE (Macedonian, nationalistic, conservative), DA (Democratic Alliance, Macedonian, democratic conservative), and DPA (Albanian, moderate, conservative) came to power. During the crisis in 2001 Gerovski wrote a hate-filled nationalistic editorial. This caused people to view Dnevnik as a newspaper that was close to VMRO-DPMNE.

The Shareholders

In 1999 the American Fund, SEAF (Small Enterprise Assistance Fund) participated in Dnevnik, holding 36.3% of the shares for a price of \$ 630,000. It was a good investment. In 2003, they sold their shares to WAZ for almost 2 million euro. Now WAZ has 81.9%, and Gerovski, Damovski, and some other journalists are minority shareholders.

Utrinski Vesnik (*The Morning*)

Information from an interview with Ljupco Popovski, assistant to the chief editor, and the new chief editor (former executive manager), Erol Rizaov

Utrinski Vesnik is located on the first floor of an apartment house in the centre. There is direct access from the street to the newspaper offices. The atmosphere is busy and easy-going. The deadline is 6 o’clock in the afternoon, when the last pages go to the printers. At 8 o’clock in the evening Utrinski Vesnik has already hit the streets.

History

Utrinski Vesnik was founded in 1999, during the crisis in Kosovo. The new government that resulted from the 1998 elections in Macedonia was a coalition of Macedonian and Albanian nationalists. This government replaced the chief editors of the newspapers comprising the state-owned publishing house Nova Makedonija. A group of journalists felt that the VMRO influence was too strong, which led them to leave Nova Makedonija to found the publishing house Most and the newspaper Utrinski Vesnik.

A well-known businessman, Trifun Kostovski, supported the new newspaper. The first issue came out on 23 June 1999, which, incidentally, was the day Bill Clinton visited Skopje.

Financial Structure

Trifun Kostovski¹ is one of the five wealthiest businessmen in Macedonia. He is a major shareholder and manager of the Kometal company. He is in his early fifties and is well connected in the former Soviet business structure in the Ukraine. He is known for his private donations to culture and sports, including a well-known handball club. He decided to contribute money to found Utrinski and became a 51% shareholder. The other 49% is owned by the group of the five founding journalists.

Character of Utrinski

Among the three newspapers that include Dnevnik, Vest, and Utrinski, Utrinski is the newspaper read by more educated people. It provides much more background for the events reported on. Utrinski is generally thought of as sympathetic to the SDSM, the social democrats.

Reasons for the Buy-out

Utrinski carries fewer advertisements than the other newspapers, yet is sold at the same price as Dnevnik and Vecer: only 10 denars (16 euro cents, the lowest price in the Balkans). If more than 20,000 copies are printed, the costs are higher than the revenue, explained the assistant chief editor Ljupco Popovski. It was even difficult to buy paper because of the cost. A common practice in Macedonia is for advertisers to pay in the form of goods rather than actual currency, for example, bottles of whisky! Utrinski employs a staff of sixty, and it was difficult to pay them without going into the red. The main reason for joining WAZ was fear of losing out to Dnevnik. Trifun Kostovski believed, "It's better to join than to lose".. As the majority shareholder, it was his idea to join WAZ, and the minority, Popovski and the four other journalists, agreed with him. WAZ wanted to keep Kostovski in Utrinski in any case. Bodo Hombach and Trifun Kostovski have a friendly relationship, added Popovski.

WAZ paid 3.6 million euro for the 51% share.

Shareholders

¹ According to Norbert Mappes-Niediek, author of "Balkanmafia", Trifun Kostovski is a tycoon, a winner in the privatization of the past decade. Kostovski is an international player: he owns "Kometal", which sells steel for "Technometal-Vardar" in Macedonia. Kostovski is seen as member of the "Vienna Circle". Kostovski's main commercial activities are in Vienna because tax conditions are more favourable in Austria. He returns money to his country "by sponsoring sporting, social, and cultural events and organisations."

In addition to his commercial activities, Kostovski is an "independent" member of the Macedonian parliament. During the elections for parliament in September 2002 he headed the list of "For Macedonia Together" in the second district. For Macedonia Together was a coalition of several opposition parties and independents. The principal member of this coalition is the SDSM, the social democratic party. The group won the elections.

Kostovski has further political ambitions: he openly declared that he plans to run for the presidency in the elections of 2004.

WAZ bought 51% of the shares, Trifun Kostovski holds 24.5%, and the five founding journalists hold 24.5%.

Vest

History

Vest was established early in 2000 by a group of 23 journalists who decided to leave Vecer, which was part of the state-owned publishing house Nova Makedonija. Vecer was strongly influenced by the governing political parties, especially the DA (Democratic Alternative), and the journalists did not want to work in this atmosphere. One of the journalists was Goran Mihajlovski, the editor-in-chief of Vecer and now editor-in-chief of Vest. The group also established the publishing house Ogledalo.

Financial Structure

Vest started with a 500,000 DM loan from the bank. One year later the newspaper was doing well but ran out of money. Support came from Fershped, a large Macedonian trading company, privatized in 1995 during the government of the SDSM. Fershped is influential in transport, wine, hotels, buildings, and financial services. Its managing director, Shterjo Nakov, is one of the five wealthiest businessmen in Macedonia and owns a basketball club.

The Newspaper Vest

In appearance Vest looks like a popular tabloid newspaper, with many photos, large print for titles, many advertisements, and a daily female pinup. Chief editor Goran Mihajlovski is the ever-youthful naughty boy of Vest. At 37 he is the leading man. Todor Kostadinov, representative of the WAZ minority shareholders, characterizes Vest as: "The headlines depend on how Goran wakes up in the morning." The editorial office is located in the centre of town, near the pedestrian bridge over the Vardar, on the third floor of an old, dark, and dusty building that is a property of Fershped. The walls contain a mixture of notices, maps, film posters, and pinups. About 40 journalists work for Vest. Soon the newspaper's offices will move to a better location, also a property of Fershped.

"The newspaper wants to introduce investigative journalism to topics for ordinary people", explains Goran Mihajlovski, "like trafficking in women, Roma poverty, urban mafia, fraud, corruption, etc."

Unlike Dnevnik and Utrinski, Vest contains many photos. Every day the back page contains a photo of some strange or shocking event somewhere in the world. "The quality of Vest", people have told us, "is that 80% of the gossip they write turns out to be true."

In 2002, the paper printed the story of "The castle of Vodno", which reported on the alleged preferential treatment in a property deal involving a relative of Prime Minister Georgievski's wife. From that time on, despite the fact that Georgievski's government threatened to close the newspaper, it prints stories about corruption. It is taken more seriously, and the circulation has increased.

Reasons for the Buy-out

Goran Mihajlovski gave several reasons for the sale of Vest to WAZ:

- The newspaper is printed in Kocani, about 100 km from Skopje. The number of copies printed is limited to the facility's capacity of 30,000. The afternoon deadline is 4.30 p.m. , because otherwise it would arrive too late to sell many copies and thus lose the competition to its rival newspapers. This is the current situation. WAZ plans to invest in new printing facilities.
- Fershped bought Vest to enable it to advertise its own products. They stopped advertising in other newspapers because Vest served as their own advertising medium. Fershped was not interested in the newspaper itself. WAZ is a media group with a great deal of money and know-how in publishing, advertising, and distribution.
- The group hopes to implement western standards of journalism. Journalists currently have low salaries and no pension. The level of journalism is very low, including a great deal of false information in the reporting. Journalists are given gifts, such as mobile phones or notebooks, from people outside the newspaper, making them vulnerable to self-censorship or writing favourably about people they have accepted gifts from. With WAZ there will be more certainty and continuity. Journalists will have to compete, and the level of journalism will improve.
- WAZ will improve the distribution and advertising sectors.

WAZ paid 2 million euro for 51% of the shares.

Shareholders

In 2001 Fershped bought 90% of the shares and paid Vest's debts. Goran Mihajlovski holds 6% of the shares, and 4% is held by a colleague of Mihailovski. During the negotiations with WAZ, Fershped sold 75% of its shares to Gofi. Gofi is a financial investment company registered in Switzerland, in which Trifun Kostovski has major interests. So it was possible to sell Vest and Utrinski as a single package to WAZ.

The shareholders of Vest are now:

- WAZ 51%
- Gofi (Kostovski) 24%
- Fershped (Nakov) 15%
- Goran Mihajlovski 6%
- The colleague of G.M. 4%

MPM

The WAZ group established Media Print Macedonia (MPM), which consists of the former publishing houses Krug, Most, and Ogledalo - the publishers of Dnevnik,

Utrinski Vesnik, and Vest. MPM claims that the three newspapers will have their own financial and editorial policies. Each newspaper has four top managers:

- Dr. Srdjan Kerim, managing director, representative of the majority shareholder (WAZ) for Dnevnik, Utrinski, and Vest
- Mr. Jankovski, manager, representative of the majority shareholder (WAZ) for Dnevnik, Utrinski, and Vest
- Mr. Kostadinov, manager, representative of the minority shareholders of Utrinski and Vest
- Mr. Branko Gerovski, representative of the minority shareholders of Dnevnik.

Mr. Kostadinov characterizes the company's aim as: "This company was established with the aim of rationalizing the expenses from the aspect of complementary production. MPM will be a service to the publishers; it will deal with the financial, accounting and consulting services. It will also deal with the legal issues, IT issues, and personnel. One of its main activities will be marketing for the publishers."

And:

"There is a plan to improve transport and distribution and install a new printing house. At present, none of the companies have their own means of distribution; only one,, Dnevnik, has its own transport. The mutual aim is to lower the costs of transport both for us and for the competition because the competition will be allowed to use the services of the distribution network.

We will purchase a new roto colour printer. The price will remain the same, and it can only be changed if the taxes in the country for purchasing paper are changed, which is part of the business policy.

There is a plan to improve the working capacity by training staff along European IT standards. Some of the employees will be sent abroad to do special courses in which they will learn how to operate roto colour printers. In addition, seven of the journalist will soon be sent to Berlin for specialized training courses for journalists."

MPM is totally owned by WAZ, and is expected to follow the same strategy as WAZ subsidiaries in Austria, Bulgaria, and Croatia. WAZ guarantees employment for one year to the 350 employees/journalists of the three publishing houses.

Dr. Srdjan Kerim speaks fluent German. For a long time he was the ambassador of Macedonia to Bonn and Berlin. During this period Bodo Hombach was chief of Gerhard Schröder's cabinet. During the initial implementation of the Stability Pact for southeast Europe, Srdjan Kerim was the right-hand man to Bodo Hombach, at that time the managing director of the Stability Pact. Kerim is well-known as a man who enjoys a luxurious lifestyle.² Nevertheless, he is also known as a very good diplomat.

² International law professor Ljubomir Frckovski, former Minister of Foreign Affairs, told us of an investigation by a commission of the Ministry of Foreign Affairs into the extraordinary expenditures of the ambassador Kerim. The dossier of this investigation disappeared when Kerim was Minister of Foreign Affairs of Macedonia a year later. Kerim was also Ambassador to the UN. During this period he lived in an apartment in the Trump Tower that cost \$12,000 per month. At that time his wages were \$ 4000 per month, a poor country like Macedonia could not pay any more. The difference was paid by Trifun Kostovski and others of the Vienna Circle, people who earned their money (called "KGB money") after the fall of the Russian empire, according to Frckovski.

As a politician he was close to the Liberal Party that governed together with Georgievski's VMRO-DPMNE..

In our interview Kerim claims to be a convinced European. Western European standards of justice and democracy should be brought to Macedonia. He says he is looking for functional cooperation between Europe and Macedonia.

"We want to build a good media centre here in Skopje which will serve to represent the free, independent, and democratic press, and not as a monument of the past", he says.

Kerim denies that WAZ wants a monopoly in Macedonia. In his opinion WAZ has more than 50% of the shares because the former owners wanted to sell. But he admits that "after all, a newspaper is a business affair, and then it is important to be able to make decisions."

Mr. Kerim is an elusive man, he is handsome and dresses in a well-tailored suit. He knows the art of diplomacy, for he is able to say that black is white: "I do not understand why the presence of WAZ disturbs the independence of the media. On the contrary, it will be a solid guarantee for that." Kerim is like a revolving door, a key player who carries messages to others..

Petar Jankovski was the former manager of WAZ in Bulgaria.

As representative of the minority shareholders, Todor Kostadinov (33) is the third man at the top of MPM. He also represents the interests of Trifun Kostovski in Skopje because he is a representative of Kometal and the Graphic Centre, the printing house in which Kostovski holds the majority shares.

Branko Gerovski is minority shareholder and the chief editor of Dnevnik.

Printing Houses in Macedonia

There are three major printing houses in Macedonia: two in Skopje and the third, Euro 92, is in Kocani, about 100 km to the east.

Euro 92 was founded by the Dimitrovski brothers with the financial support of the Soros foundation. At the time it was to be an alternative to the state-owned printing house Nova Makedonija. Vest is printed by Euro 92.

The Dimitrovski brothers own another printing firm in Skopje, to which Dnevnik is minority shareholder. . Dnevnik is printed there.

The Graphic Centre in Skopje prints Utrinski Vesnik. The majority of its shares is owned by Trifun Kostovski.

At the moment WAZ is negotiating with the printing houses, hoping to purchase at least 51% of the shares. WAZ wants to invest 3 million euro to improve printing and distribution options, said Bogoev, director of Krug. The printing house is an essential part of WAZ strategy.

The Case of Nova Makedonija

Nova Makedonija (NIP) is the old state-owned publishing house that had an absolute monopoly in Macedonia until the rise of the "independent" newspapers. Nova

Makedonija publishes Nova Makedonija, Vecer (both in Macedonian), Flaka (in Albanian), Birlik (in Turkish), and many magazines. It has its own printing facilities. The enormous office building with 19 floors in the centre of Skopje also belongs to NIP.

As early as 1999 there were contacts between the publishing house Nova Makedonija and WAZ. Although WAZ was not interested at that time, in 2002, just before the elections for parliament, the then government sold Nova Makedonija to a Slovenian consortium, Jug-Uslugi. The consortium bought 70% of the shares (for \$2.25 million) and promised to pay the debts of the printing firm (\$10.3) and to guarantee employment for at least five years for the 1,400 employees (RFE/RL Balkan). But the new company was unable to pay the workers' wages, and following the elections of 22 September 2002, the workers went on strike. When the government did provide \$ 2.1 million for pensions, Jug-Uslugi used this money to pay for 70% of the shares.

Then, in December, the new government cancelled the planned privatization, and the case went to court.

At the back of the building there is a large printing operation. The atmosphere in the building is like entering the twilight zone, with its dim light, large but silent machines, and the overwhelming smell of urine. The director of the printing branch assures us that the machines can run 30,000 copies an hour, but there are no clients. In another section, small editions of newspapers and magazines are printed every day. The runs are: Nova Makedonia 2000-2500 copies, Vecer 3500-4000, and Flaka 2000-2500. In September for 6 months the workers have not received any wages from the new owner (they have only received about \$50 a month from their trade union). They publish the dailies and wait to see what will happen next. The office of Flaka, the Albanian newspaper, is almost empty. In a large room on the sixth floor some journalists work at their computers without a functioning infrastructure - no telephone or Internet connections.

Every day at 10 o'clock the collective, including representatives of the different print media, meet on the sixth floor. Most of the people are over forty and have worked all their lives for this company. Their situation used to be secure but now it is precarious.

One and a half years ago – when circulation was decreasing – the Slovenian company came along that suddenly promised a golden future for the first five years. But it was pie in the sky.

The former director of NIP, Nikola Tasev, was arrested following an investigation of the privatization of Nova Makedonija as well as Besnik Fetaj, the former finance minister of Macedonia. Fetaj is a member of the Democratic Party of Albanians (PDSH), .

The court officially declared NIP bankrupt on 22 October 2003.. Its newspapers were put up for sale, and in January 2004 the name Nova Makedonia was sold for 5000 euro to a computer company. Vecer, together with some other publications, such as the crossword magazine Kotelec and the cooking magazine Vecer Cooker, were sold for 25,000 euro to Idea Plus, a marketing company. It is rumoured that the owner of Skopje Brewery – Sveto Janevski – is behind the deal. Birlik (a Turkish daily) was sold to Evro Azija Tehnika, a large Turkish company, for 2500 euro. Finally, Detska Radost – consisting of three children's publications - was sold to Prosvetno Delo

publishers for 40,000 euro. Detska Radost was the only part of NIP that actually made money.

Other publications will be tendered soon. Also the building itself, the print shop, and the distribution company will be sold. But the costs are high. Renovation of the building and the machines is estimated at 30 million euro.

The legal Situation

Law Regulating Print Media

In Macedonia there is no law regulating print media. A journalist does not need to divulge the source of his information. There is no right to respond. The responsibilities between publisher and editor are not clear. There are proposals to create a law like the existing one for electronic media but there is opposition. "It is not the right time now", says Branko Gerovski, "it will only bring restrictions and we don't want that." The anti-law lobby seems to be the stronger at the moment.

Anti-monopoly Legislation

There is an anti-monopoly law in Macedonia, but it is not effective. A single company is allowed to own everything in a given market. Unlike Croatia, where a company's share of the market is limited to 35%, Macedonia does not have such a restriction. The only restriction is that others must be able to compete.

In fact, the Monopolies Directorate has no means to prevent a merger. They can approve or reject a merger. If the merger is rejected, the company that is under investigation can go to court. The Monopolies Commission has no legal instrument, only rules. One of the rules states that companies wanting to merge, and the new company, must provide information about the merger to the Monopolies Commission to enable them to judge whether the new company would restrict competition.

During our visits to the Monopolies Commission we spoke to the director, Panche Bardarov, and the head of the unit, Stevica Josifovski. They were investigating the WAZ/MPM case. The director emphasized that foreign capital is very welcome in Macedonia. And then he showed us that WAZ/MPM now owns 90% of the market. Therefore, this was a case that should be reviewed by his commission. He added that the companies concerned did not voluntarily provide the information they were supposed to, so they were being forced to provide it. A week later this information appeared on the front page as the leading article in the economic weekly Kapital. At the next meeting the Monopolies Directorate announced organization of a public hearing in which the three merging companies, Krug (Dnevnik), Most (Utrinski Vesnik), and Oglegado (Vest), and the new company into which they would merge, MPM (Media Print Makedonia), had to provide information about the merger, the necessity of the merger, and the consequences for competition in the newspaper sector.

It was the first time in the recent history of Macedonia that a foreign company had to justify its plans in a public hearing.

The hearing was planned for 21 October, but the commission could not reach agreement so they postponed it to 29 October. Although the hearing was public, the media were not informed.³

In our interview with Mr. Kerim, he emphasized that WAZ came to Macedonia to make money, help the country on its path to democracy, and to join Europe. "With the three newspapers WAZ has good partners here and this is why WAZ is investing here. However, there is another dimension that is decisive when we talk about investments in a country which is in a period of transition, such as Macedonia, and that is to strengthen the institutions to consolidate democracy; in other words, to create a constitutional state, and this is not sufficient in the case of Macedonia." This is what Mr. Kerim says as a diplomat. But it does not portray the real situation. He was furious that a public hearing was organized by the Monopolies Commission, and his lawyers were not able to answer the questions the Monopolies Commission put to them.

The Monopolies Commission has not yet reached its final decision on the merger; it is waiting for additional information from WAZ.

WAZ and the Balkans

The Westdeutsche Allgemeine Zeitung is the second largest newspaper publishing group in Germany. In 2001 the volume of its business was 1.9 billion euro. The group was founded in 1948 by Erich Brost (1903-1996), a German social democrat, and the conservative Jacob Funke. It started with the Westdeutsche Allgemeine Zeitung, which is now a newspaper with a circulation of 750,000. WAZ grew as a result of its strategic decision to buy seven regional newspapers in Western Germany as well as investing in RTL and the mailing house Otto Versand (it owned 25% of the shares). At the end of the 1980s WAZ went beyond the German border into Austria, where the group bought 49% of Media Print Austria. In doing so it acquired the Kurier, 50% of the shares of the tabloid Neuen Kronen Zeitung (850,000 copies), and 13 regional radio stations. Today WAZ is the dominant publisher in Austria.

Then, in the mid-1990s, WAZ expanded into Southeast Europe, after failing to participate in other large media groups in Germany. The fall of the wall and the transition from a centralized communist economy to a capitalist free market economy in the former countries of Eastern Europe opened up an enormous market for foreign investors.

WAZ invested in Southeast Europe, where, for more than 50 years, the media belonged to the state. It bought shares in printing and publishing firms and used its expertise in management, circulation, and advertising. Within 10 years WAZ developed to the extent that it became number one in the Southeast European print media landscape.⁴

But criticism threatens. With its money and innovations, WAZ also brings redundancies, monopolies, and bankruptcies for other firms.

³ The only outsider present at the hearing was the local representative of Press Now. Although the representatives of WAZ opposed her presence, she was allowed to stay.

⁴ See attachment 1.

While salaries have gone up in Bulgaria, so has unemployment. WAZ had to sell a large part of its properties because of the monopoly legislation in Bulgaria. Many media companies have had to close because WAZ is too strong in the advertising market. In January 2003 WAZ Media group Bulgaria opened a new printing house for printing local editions of its major national newspapers. "We can barely survive because of WAZ's print monopoly", says Spas Spasov, marketing-manager of the Varna daily Narodno Delo, "but the biggest threat to us is the monopoly of the advertising market." (See IWPR 41.)

In Croatia WAZ officials claim that Europress Holding owns 35% of the daily newspaper market and 46% of the magazine market (see IWPR 419), and this is more than the legal limit of 30%. But the government is not trying to contain WAZ. The Agency for Protection of Market Competition is allowing WAZ to keep its shares. "They have not abused their dominant position", argues Mladen Cerovac, head of the commission.

WAZ continues to increase its share in the Balkan region. Under the management of Bodo Hombach, former head in the cabinet of Gerhard Schröder, former managing director of the Stability Pact for Southeast Europe, and since 2002 one of the four managing directors of WAZ, the company is expanding in the Balkan region. The next region for expansion is Macedonia.

Foreign Investments and WAZ

As shown in a survey conducted in the Balkan countries from January to February 2002, the Albanian and Macedonian citizens of Macedonia have the lowest level of public trust in their government (12%), and they are the most pessimistic about economic prospects.⁵

Unemployment, poverty, and corruption were identified as the most urgent issues. For the Macedonian and Albanian citizens, unemployment is by far the biggest problem. The Albanians viewed ethnic conflicts as the second most important issue, while the Macedonians identified poverty as the second most important. Both groups viewed corruption as the third largest problem. In fact, the Macedonians see this as a more significant issue than ethnic conflict, and for the Albanians it is more significant than poverty.

There is a clear relationship between the low level of acceptance of the government and the high rate of corruption. In the last report of the Commission of the European Communities (Brussels 26/03/2003), as well as in last years report of the International Crisis Group in Skopje, corruption is like a hungry snake throughout society, the government, banks, the tobacco business, the health insurance fund, customs, smuggling, and privatization. It even crosses ethnic borders. The ICG report points out that in the illegal production and smuggling of cigarettes, Macedonians and Albanians work together. . Getting a job, earning money, being allowed to use certain facilities, all this is more dependent on knowing members of political parties and on connections than on skills. It causes instability and infects society as a whole. For example, the owner of the company that rented us a computer experienced a good month in September. But he said, "This depends on how things are going at the border. When customs simply allows the truck with the computers to pass without

⁵ See attachment 3.

registering the goods we can't compete." Although there is now an anti-corruption commission, people are very cynical. And not just inside the country. Investments from foreign capital have come to a standstill. Normally Macedonia receives \$50-\$75 million in foreign investments. This amount fell by 60-70% in 2001 and to zero in 2002. (IMF, 25 June 2002). In addition to the war in 2001, corruption is obviously the main reason why investments from foreign capital are being severely curtailed. In this situation the WAZ's investment in the three newspapers (at 10 million euro) is very welcome. Some people consider the introduction of WAZ to be a positive step towards more economic stability and professionalism. The country is eagerly looking forward to the wealth of Europe, and WAZ is linked to this.

Strategy of WAZ

"WAZ is an independent, neutral media company whose decisions are exclusively based on economic and publishing criteria", stated Erich Schumann, one of the four managing directors of WAZ, at a press conference in June 2002.

Expansion in the Balkan region is generally welcomed by the governments and media in the countries. WAZ brings money, know-how, stability, and continuity.

"The strategy of WAZ is based on their aim to gain a monopoly", says Horst Roeper,⁶ who has been following the development of WAZ for 20 years. He is critical but cannot deny that he sometimes admires the extremely clever commercial activities of WAZ. He explains how the group developed its strategy in Germany by buying regional newspapers as well as smaller ones. Having the facilities to print and distribute, they offer opportunities to advertise – attractive in price and quantity – advertising packages for the various newspapers owned by WAZ. This is the way they compete with other newspapers in the region whose economic situation is becoming increasingly difficult from the loss of advertising income. When necessary, WAZ severely lowers the price for advertisements and newspapers to take over a larger share of the market. They can afford to maintain this for a year, while the competitor cannot. Then WAZ offers the competitor the opportunity to cooperate with WAZ or join it.

This strategy was very successfully used in Germany. WAZ even bought up a regional newspaper in Bavaria with a circulation of 7,000, just to get a toehold in the region. They copied this strategy in Austria with Media Print Austria, and now they are beginning to use it in the Balkan region.

"WAZ is interested in the money and nothing else", says Horst Roeper. "It wants to dictate the prices and therefore it needs a dominant position."

When WAZ buys a newspaper, it buys the relationship with a client. This client is not so much the reader as the advertiser. The advertisers provide 60% to 75% of the income for the newspaper.

WAZ and Its Impact on the Media Landscape

⁶ Horst Roeper is a well known German specialist on WAZ. He regularly publishes articles about it

Publishers fear WAZ will dominate the advertising market that appeared late in Macedonia. Iso Rusi, publisher of the weekly Lobi argues: WAZ will offer advantages and eliminate competition. Their advantage is that they can offer their clients a high level of circulation for the same or even a lower price.

Risto Popovski, director of APM (organization for print media) tried to convince the members to agree to maintain advertising prices to avoid a price war. Even now, he complains, there are official price lists but when it comes to contracts the publishers try to attract the clients who offer below market prices. He no longer expects to negotiate an agreement among the members.

WAZ knows it has no strong competitors, and can dominate the market on various levels. Probably WAZ will penetrate the local advertising market with editorial pages, for example, for Gostivar, Kocani, and others. For major players like Daimler Chrysler, WAZ can offer discount packages not only for Macedonia but for the whole of the Balkan region.

Bodo Hombach in Skopje

At the end of October Bodo Hombach, one of the four managing directors of WAZ, was in Skopje to present the group to the public. In addition to this, He also had other business to conclude: the deals with the printing houses still needed to be closed (these negotiations were taking longer than expected), and the Monopolies Directorate was still investigating the monopoly status of the WAZ.

Nevertheless, the press conference took place, with the entire press attending, and Hombach used the opportunity to promote himself and his company as the salvation of Macedonia.

Monopoly

At the press conference and in several interviews published in Macedonian newspapers in the course of the following days, Bodo Hombach denied the fact that WAZ wanted to create a monopoly: "The mere thesis of monopoly is in fact dubious. WAZ has never had that kind of attitude and has no intention to create that kind of policy in Macedonia, too. The readers themselves decide what newspapers to choose and the three newspapers which WAZ bought will remain in competition with the rest as it was before."

WAZ would like to invest more in Macedonia, he said, and he reminded the journalists present that half the 15 million euro invested that year as foreign capital in Macedonia came from WAZ. More investments in the media (Nova Makedonija) are possible "but", putting pressure on the Monopolies Directorate, "the Monopolies Directorate will decide whether we are welcome or not", Hombach stated. "and if the Monopolies Directorate thinks that they are creating a monopoly, the WAZ is prepared to leave Macedonia."

To dispel any doubts about WAZ planning to monopolize the market, the company is prepared to give a written guarantee.

Independence

“We guarantee a hundred percent independence in the work of our newspapers, editors, and at the same time we will oppose every influence on our newspapers. WAZ is the first publishing house in Europe that abides by the principles of the OSCE concerning freedom of thought and democracy,” stated Bodo Hombach.

The headlines in the newspapers in the days following the press conference give an idea of “the freedom of thought and democracy” for the editors. Not a single critical word can be found in the articles.

Vecer, 1 November:

WAZ will abide by the principles of democracy

Utrinski, 1 November:

WAZ guarantees independence to newspapers

Dnevnik, 1 November:

WAZ believes in the future of Macedonia in Europe

Makedonia Denes, 1 November, quotes Hombach in the headline:

The three media will be “unified” only when Macedonia will become World Soccer Champion

Dnevnik, 5 November, author Branko Gerovski, editor-in-chief, quotes Hombach in the headline:

WAZ Newspapers will be one hundred percent independent

Dnevnik, 5 November, author Branko Gerovski, editor-in-chief, quotes Hombach in the headline:

I want to help Macedonia to attract investments

The Dominant Position of WAZ and the OSCE Representative's Reaction to Freedom of the Media

At the public hearing of the Monopolies Commission the OSCE was not present. At his farewell meetings in Amsterdam, Moscow, Paris, Washington, and Hamburg in 2003, Freimut Duve, the OSCE representative to Freedom of the Media, repeated again and again: “Especially for the free media, the public debate on weaknesses, on strengths, on hopes, and seriousness is the most important point”, and “The main danger to what we are talking about today is the killing of pluralism in all our societies, in the west and in the east. Now, in the west it is not the government which kills pluralism, it is the structure, not only Mr. Murdoch, it is others too who don't believe in pluralistic debate and different argumentation.”

Duve refers to large media companies that kill pluralism for economic reasons. But where was the OSCE when such large media companies, for example WAZ, took over 90% of the newspaper market in Macedonia, a country with a weak democracy? Freimut Duve in our interview stated: “I, too, think that this is too much, but the alternative in these countries is that the owners of the newspapers are criminals. They invest laundered money, they have money earned through criminal means from

female slavery, etc. There is no money other than criminal money. We have dramatic situations with so-called owners who do not want to say who they are. We have criminals who live outside the country (they hide their names), who own a newspaper somewhere in the Balkan region. So I prefer foreign investments. At least WAZ says who and what it is.”

Rather than objecting to the dominant position of WAZ in the Balkan region, Freimut Duve presented a declaration for editorial independence in July 2003. By signing the declaration the owners of large foreign media companies confirm that they will not interfere in the editorial policy and will guarantee a democratic, non-racist press with an open ownership structure.⁷

Later in our interview Duve justified this step:

“I have laid down principles of responsibility for the publishers not because of critics but because of the uncertainty of Macedonian journalists and politicians referring to the role of the WAZ group. And I invited the WAZ group and Springer and a large Norwegian group to sign it. We have so many fake publishers in the Balkan region who are financed with illegal money or money that comes from prostitution, who buy media to promote their own interests. This is the reason why I have said, since taking my official position, that I am not against foreign investors. But when a respectable western company enters this dark landscape, it has to assume responsibility for the quality. And this is a contradiction in itself. I ask them not to touch the independence, and at the same time I tell the company it has to pay attention to the quality. This is a very complex detailed level, and I don't know how I would do that. But I have to ask them to take this into account because this is the reason, and my hope is that foreign investments will contribute to a more stable landscape.” (*translated from the original, Freimut Duve, Hamburg, 28/11/03*).

These are the key points in his argument:

- there is no “historical” capital in the Balkan region, the current capital is criminal
- foreign investments are needed to stabilize the Balkan region, such as those already stipulated in the Balkan stability pact
- Freimut Duve intends to fill the gap between legislation and the principles of the OSCE with his declaration of editorial independence.

We perceive the following issues to exist in Macedonia:

- the declaration was simply a legitimization of the merger of WAZ and the three newspapers. WAZ and the editorial offices of the three newspapers used it to legitimate the action.
- WAZ is a company, as its managing director Schuman said, whose aim is to turn a profit. WAZ wants to sell as many newspapers as possible, to attract as much advertising money as possible. For this reason WAZ produces “mainstream journalism”. With a share of 90% of the market, this can be dangerous for pluralism.
- Why didn't the OSCE support a solution that brought money in from within the country and know-how from outside?
- At the time of our research there was a public campaign to turn in weapons. The situation is still ambiguous between the Macedonian and the Albanian groups, and there is much yet to be done to achieve a civil society. Mile Jovanowski, publisher

⁷ See attachment 4.

of Tea moderna, and his group of journalists began a special campaign: an open competition for slogans urging people to turn in their weapons. This was different from the official campaign. It gave people a way to express an authentic public awareness.

- The legitimization of WAZ by OSCE discouraged other efforts at setting up new newspapers or magazines because WAZ will dominate the newspaper market, the advertising market, and the printing facilities.
- After all, it seems the print media were not “sexy” enough for OSCE extension into Skopje. The Monopolies Commission wasn’t taken seriously, and there was more interest in covering the development of the electronic media.

Moreover, there is a political dilemma in the OSCE declaration about editorial independence. Why did Freimut Duve ask the large media companies to commit themselves to such a declaration? In a democratic country editorial independence and an open ownership structure are seen as keys to the freedom of the media. Macedonia, as a country in transition, still does not have a law that regulates the relations between owner and editorial staff or between publisher and editor. Freimut Duve wants the international media companies to sign a declaration that would fill this gap. Because the state and the institutions are weak, the OSCE counts on the goodwill of international media companies. Are there any sanctions if they do not conform to this? No!

But there is a more fundamental issue: politics and state institutions should function in the public interest, while a media company functions in its own private interest. At times, for some groups in society, these interests come together, but sometimes they do not.

WAZ signed the declaration – which also contains a section about transparency of ownership. At the same time, WAZ declines to comment on the relationships between the WAZ holding company and its subsidiaries.

By signing such a declaration, WAZ showed its goodwill, and it uses the declaration when it is in its interest.

The OSCE declaration weakened critics in Macedonia and enabled WAZ to gain a clear foothold in the country.

Policy of Donors

The international organizations either failed to recognize or did not pay attention to the needs and possibilities for improvement for the newspapers at the right time. Our information reveals that four years ago, in 1999, the Fund for an Open Society Macedonia (FOSIM) took the initiative to install a common distribution system for the various independent print products as an alternative to the monopoly position of Nova Makedonia with its kiosk system. This initiative was supported by UNESCO with a substantial amount of money (300,000 DM). But there were two obstacles to realizing this project. First, the publishers could not be convinced of the advantages of such a system. As “new capitalists” they insisted on going their own way. Second, as Violeta Gligoroska of FOSIM told us, it was not possible to unify the donors behind this project. So there was a lack of professional assessment even on the part of the international organizations.

What influence does the OSCE declaration on editorial independence have in this situation? In view of WAZ policy, most of the media experts argued: “We have to wait and see what will happen.” “We have to monitor it.”

Given such indecision, hopes for a “good WAZ” will be kept alive, and only time will reveal what the results of WAZ dominance will bring. It is likely that some way of monitoring projects will be set up that will absorb public attention. It is not on the agenda to support people who want to initiate a newspaper. The comment often heard is: “Just wait another year, and we will see if there is no editorial independence.” This policy could lead to stagnation and paralysis. It seems as if media experts, the citizens of Macedonia who work for the international organizations, have arrived at their own views on the new situation. They are very clear, fundamental, and radical in their statements about WAZ, but in the final analysis they bring forward their own interests, which include monitoring and lobbying. With its declaration on editorial independence, the OSCE has prepared a path for the media experts to follow.

The Fund for an Open Society Macedonia is relatively quiet because:

- there are already many newspapers on the market
- the publications are no longer in their initial phase, as was the case ten years ago
- it is much more expensive now to publish a newspaper
- The Fund is beginning to shift its activities more towards lobbying.

Conclusions

Up to now Dnevnik, Utrinski, and Vest are well thought of among the public. One survey shows their credibility is better than the credibility of politicians.⁸

The three newspapers fulfil the function of “the fourth estate” in the democratization process in Macedonia better than the former state-owned newspapers like Nova Makedonia did.

Improvements

The chief editors of Dnevnik, Utrinski, and Vest consider the take-over by WAZ to have been a great success. They stress that the quality of printing and journalism will improve.

WAZ is also expected to improve the printing and distribution systems. The former co-owners of Dnevnik (SEAF), Utrinski Vesnik (Kostovski), and Vest (Fershped) did not have the know-how required to run a successful newspaper, and so they failed to take the necessary steps for improvement. WAZ has this know-how.

The chief editors reason along the same lines: WAZ know-how and the higher level of job security will improve the level of journalism. By saying this, they diminish themselves and abjure their own responsibility in this essential matter. After all, they

⁸ See attachment 2.

are recognized as capable and experienced journalists and present themselves to their readership every week in text and image as serious commentators on the most important issues! Branko Gerovski: "I am the best!" When we asked them about this contradiction, we did not receive an answer.

Klime Babunski, member of the Institute for Sociological, Political and Juridical Research, comments on this. For him, the chief editors' arguments that they would be stronger with WAZ aren't convincing. Babunski claims that they were strong enough before. And if they consider the level of journalism to be low, why didn't they improve it earlier? Babunski is well informed about the WAZ strategy, and points out that the large media group will be mainly interested in profit. If the low level of professional journalism in Macedonia produces a good profit margin, Babunski believes that WAZ will not invest to improve journalism.

Furthermore, the Institute for Sociological, Political and Juridical Research in Skopje will present scientific data on the quality of journalism when they have finished their long-term research project (financed by international organizations including the Fund for an Open Society Macedonia and Medienhilfe).

Editorial Independence

WAZ's strategy will be a "middle-of-the-road journalism" concerned with the interests of its clients, the advertisers. WAZ policy is in favour of commercials. WAZ journalism is committed to mainstream views. Editorial independence only exists within these boundaries.

The chief editor does not have the right to decide how many journalists will be employed. That kind of decision is the responsibility of MPM (WAZ). If only a few writers are responsible for a great many pages, they will not be able to do background research. This automatically leads to "press conference journalism", i.e. superficial articles. WAZ is not a good partner in the development of democracy.

There are many doubts among the media experts about the editorial independence. Ljubco Zikov, chief editor of Kapital, criticizes the relationship between politicians and the WAZ press: "For the first time in the Balkan region there are politicians who hold top management positions at WAZ."

Srdjan Kerim is managing director of MPM. In fact, he is not a businessman but a politician and a good friend of Trifun Kostovski and Bodo Hombach.

The largest minority shareholder is Trifun Kostovski, member of parliament, whose ambition it is to be the next president of Macedonia.

For Iso Rusi, chief editor of Lobi, this is not a favourable constellation for an independent press: "The power, control, and political ambitions of the very important people who are at the top of the WAZ company in Macedonia are potentially dangerous."

In its declaration of editorial independence of 14 July 2003, OSCE addressed the international media groups present in Southeast Europe, but this declaration did not receive a favourable response in Macedonia. Most of the media experts judged this initiative to be a type of "lobbying for Bodo Hombach and WAZ", but it was not opposed by the public.

The Sale of the Independent Media

What exactly did the WAZ purchase in this deal?

They did not buy the printing machines (these are in the printing houses, but that is another story). They did not buy any buildings (the newspapers don't have any real estate property). Yes, they did buy computers and other office equipment, but these are unimportant.

What the WAZ did buy is the relationship between newspapers and readers or advertisers. Part of this relationship includes the quality of printing, distribution, the advertising, and the content. WAZ bought ALL this. As the managing director, Erich Schumann, says, the aim of WAZ is to turn a profit. And when WAZ bought the "independent press" in Macedonia, they bought everything, including the content. So, if they consider it necessary, the WAZ will also interfere in the content, despite any kind of agreement or declaration. They will always have this power. What can the others do without the capital of the WAZ?

The first signs are there: "in a proposal by the majority shareholder the editor-in-chief is replaced, and the minority shareholders agreed unanimously, including the old editor in chief", the former manager and now new chief editor Erol Rozaov told us in an unexpected moment of candour.

The WAZ newspapers did not report on the objections of the Monopolies Commission of the Ministry of Finance against the merger, nor did it report on the announcement of the public hearing.

But they printed big headlines on the press conference of 31 October in Skopje with Bodo Hombach and Srdjan Kerim. Despite the bold words of the managers of MPM and the three editors-in-chief on the guarantees for editorial independence, most media experts and scientists do not believe these words.

Monopoly

Zikov, Rusi, Risto Popovski (Association of Print media), Gunar Ismail, (director of the weekly Forum), Professor Vesna Sjopar (Centre for Communications, Media and Culture), international law professor Ljubimar Frckovski, and other media experts are all afraid that a market monopoly (by WAZ) will replace the state monopoly. As Ljubco Zikov stated: "We are going backwards because now we will only have one editorial policy in the most important media in Macedonia!"

They are afraid that other media will no longer be competitive, that pluralism will only be on the surface, and that the cause of democracy will not be well served.

Recommendations

What can international organizations do?

- In MPM (WAZ) politicians (Kerim) are prominent at the top of the organization and in the ownership structure (Kostovski). The media industry needs legislation that guarantees editorial independence and a democratic press. The European federation of journalists is working on a statute for editorial policy.

- The international community should support adoption of legislation to regulate monopolies along EU guidelines.
- The international community should insist on openness and transparency in the discussions and decisions of the Monopolies Commission.
- In the current situation, the international community should demand fair conditions for other newspapers to compete.
- Press Now and other international organizations should object in Brussels (the EU) to the monopolization of the newspaper market in Macedonia by an international media company from a country that is a member of the EU.
- With the coming of WAZ there now exists an ethnic divide in the Macedonian press: the three newspapers in Macedonian have strong financial backing and management expertise, while the Albanian newspapers (Flaka and Fakti) are in a precarious condition. This can increase the cultural gap between Macedonian and Albanian speaking Macedonians. To improve the chances for success of the peace process, conditions must be created to ensure the existence of a strong Albanian language newspaper.

Epilogue

WAZ now owns the successful independent press in Macedonia.

OSCE and the 30 members of the Balkan Stability Pact support the process of democratization, but what is WAZ's role in this? As a West European publisher it brings investment and know-how to a post-socialist country. But its almost total domination (90%) of the daily newspaper market goes counter to West European standards of pluralism.

Or are these standards changing?

Over the last decade, in the 1990s, the WAZ group began to invest in the Balkan region because expansion in the German market is limited by a law against monopoly. This law protects independence and pluralism. But social democratic minister Wolfgang Clement in the current German government is working on modifying this law in favour of publishers to allow increased concentration of the press, providing the editorial policy of the acquired papers remains untouched.⁹ This agrees with the views of social democrat Freimut Duve (OSCE representative to Freedom of the Media). Although Duve complains about the international media companies' incursions on the editorial independence and pluralism in western

⁹ Frankfurter Rundschau, 19.12.03 **Government plans relaxation of fusion control** . The Federal Ministry for Economic Affairs wants to substantially facilitate newspaper fusions in the future. The firm of Wolfgang Clement (SPD) wants to permit take-overs of publishing houses, even in legally problematic cases, providing the title and control of content remain with the old owner, report Spiegel and Süddeutsche Zeitung. A ministry spokeswoman confirmed only that a ministerial concept had been released to fine tune departments.

countries, the OSCE declaration he introduced legitimizes the monopoly position of WAZ.

The three men who play a key role in this policy, Duve, Hombach, and Clement, are all members of the same political party, the German social democrats (SPD).

There is room and a need for a new independent daily in Macedonia. Alexander Damovski, former chief editor of Dnevnik, has been negotiating with businessmen and friends to finance an alternative daily. Within Dnevnik there is a group of journalists willing to join him in this venture, but it is a major financial risk because Damovski knows that WAZ is a very strong competitor. He also realizes that if he is to have any chance of success, he will need to compete with WAZ now rather than next year, when WAZ will be even more established in the market. Damovski recently announced he plans to start his newspaper at end of January 2004.

There are other initiatives as well. The publisher of Lobi, Iso Rusi, is considering starting up a daily newspaper in Albanian. The American ambassador Mr. Butler announced on A1 TV that he would support the initiative of Mersal Biljali, member of parliament for the opposition party, PDP, to launch an Albanian daily. In addition, the chief editor of Kapital, Ljubco Zikov, wants to start a Macedonian equivalent of the Financial Times. The television channel A1 has been very successful at reporting on corruption. All this indicates that while there is indeed room for different opinions in this small country, it will now be much more difficult to be successful in the media market.

Attachments

Attachment 1

Media Owned by WAZ in the Balkan Area ¹⁰

WAZ Hungary

In Hungary WAZ publishes five regional newspapers:

Name	Type	Circulation	Ownership shares
<u>Naplo</u>	newspaper		100%
<u>Zalai Hirlap</u>	newspaper		100%
<u>Vas Nepe</u>	newspaper		100%
<u>Fefer Megeyei Hirlap</u>	newspaper		100%
<u>Dunaujvarosi Hirlap</u>	newspaper		100%

WAZ Romania

In Romania WAZ is concentrating on the newspaper market. It has 51% of the shares in the newspaper Trustul des Presa National, and, through a joint venture with Trustul Mehrh, owns 50% of the shares in the newspaper Romania Libera.

Name	Type	Circulation	Ownership shares
<u>Trustul des Presa National</u>	newspaper	85,000	51%
<u>Romania Libera</u>	newspaper	85,000	WAZ via Trustul Mehrh

WAZ Bulgaria

At the beginning of 1997 WAZ bought the Chassa Press Group, publisher of weeklies and dailies, such as the newspaper 24 Chassa. In addition, WAZ bought the newspaper Trud. These purchases have made WAZ the owner of the two largest

¹⁰ See the report of the EFJ (European Federation of Journalists); Eastern Empires, Brussels June 2003.

newspapers in the country. By 2000 WAZ had invested 50 million euro in the two companies. WAZ controls the market of regional newspapers and weeklies through joint ventures with the Zeitungs Gruppe Bulgarien, the 168 Chassa Media Group, and Media Holdings. Many local and regional print media could not compete with WAZ and went bankrupt (including E. Alfandri, the German company Westdeutsche Allgemeine Zeitung in Bulgaria, and EJC Maastricht 2002).

Name	Type	Circulation	Ownership shares
<u>24 Tschassa</u>	newspaper	150,000	100%
<u>Utro</u>	newspaper		100%
<u>Dneven Trud</u>	newspaper	320,000	70%
<u>Nosten Trud</u>	newspaper	500,00	70%
<u>Jalt Trud</u>	magazine	380,000	100%
<u>Auto trud</u>	magazine	20,000	100%
<u>Lud trud</u>	magazine	31,000	100%
<u>Zeitung für die Frau</u>	magazine	120,000	100%
<u>168 Tschassa</u>	magazine	80,000	100%
<u>Bulgarische farmer</u>	magazine	45,000	100%
<u>Hi-Club</u>	magazine	35,000	100%
<u>Ideales Haus</u>	magazine	20,000	100%
<u>Mediya Sviyat</u>	magazine		100%
<u>Zeitschrift für die Frau</u>	magazine	10,000	100%

WAZ Croatia

In 1998 WAZ paid 16 million euro for 50% of the shares of the Zagreb Europa Press Holding Company, publisher of a newspaper and some weeklies (including Globus, magazines for women and teenagers, and the Croatian editions of Playboy and Cosmopolitan).

Name	Type	Circulation	Ownership shares
<u>Jutarnji List</u>	newspaper	125,000	50%
<u>Cosmopolitan</u>	magazine	30,000	50%
<u>Globus</u>	magazine	80,000	50%
<u>Gloria</u>	magazine	80,000	50%
<u>Arena</u>	magazine	50,000	50%

<u>Mila</u>	magazine	50,000	50%
<u>Autoklub</u>	magazine	25,000	50%
<u>OK</u>	magazine	30,000	50%
<u>Playboy</u>	magazine	30,000	50%
<u>Astro</u> <u>Magazin</u>	magazine	20,000	50%

WAZ Serbia and Montenegro

In 2002 WAZ bought 50% of the shares of the publishing house Politika for 25 million euro. Politika publishes the oldest newspaper in the Balkan region: Politika. In the new joint venture WAZ and Politika each owns 50% of the shares. The authority of each is clearly spelled out in the contract: Politika deals with the editorial side and WAZ the investment side.

Name	Type	Circulation	Ownership shares
<u>Politika</u>	newspaper		49%
<u>Politika Ekspres</u>	newspaper		49%
<u>Sportski Zurnal</u>	newspaper		49%
<u>Svet Komputera</u>	magazine		49%
<u>Viva</u>	magazine		49%
<u>Ilustrovana politika</u>	magazine		49%
<u>Huper</u>	magazine		49%

In 2003, WAZ bought two newspapers: Dnevnik, a regional newspaper in Novi Sad, and Vijesti, a newspaper in Montenegro.

And WAZ continues:

In July 2003, WAZ and a Greek publisher, Lambrakis Dol, decided to cooperate: "in order to explore the possibility of developing international cooperation, with the view to establishing and reshaping a new European and global communication market." (Lambrakis press s.a., 18.7.2003.)

"The main shareholders of DOL and WAZ-ZB will consider the possibility of establishing a holding company in which Mr. Christos Lambrakis will participate with 51% and the German company with 49%." (Lambrakis press s.a., 21.7.2003.)

Attachment 2

South European Public Agenda Survey (see www.idea.int).

What the Macedonian public sees as the major issue:

<i>Base: total sample (1,031)</i>	<i>Per- cent</i>
Unemployment	69.6
Poverty	41.2
Corruption	40.1
Ethnic conflicts	31.7
Crime	23.2
Stability of the state	22.0
Drug and alcohol abuse	11.2
My country's acceptance into EU and/or NATO	10.7
Jobs for our children	10.7
Legal system	8.5
Lack of morality	5.4
Family income	5.0
Rising prices	5.0
Educational system	4.3
Welfare system	4.2
Inadequate bureaucracy	3.2
Abandoned children	1.9
Domestic violence	1.2
Low credibility of mass media	0.9

Total sample (1,031)

%		<i>Corruption</i>	<i>Unemployment</i>	<i>Ethnic conflicts</i>	<i>Poverty</i>	<i>Drug and alcohol abuse</i>	<i>Crime</i>	<i>Sta bilit y of the stat</i>

								e
SEX	Male	45.7	63.9	33.5	36.3	9.7	26.8	20.0
	Female	34.4	75.4	29.9	46.1	12.7	19.6	24.0
AGE	18-29	38.3	70.0	33.6	36.7	10.8	19.5	23.7
	30-44	42.1	71.1	31.9	42.2	13.1	25.0	21.5
	45-59	42.7	70.1	31.4	37.7	12.2	24.0	17.9
	60 +	36.0	65.7	28.8	50.7	7.0	24.8	25.5
RESIDENCE	Urban	40.6	69.9	33.0	41.4	11.3	23.5	23.9
	Rural	39.2	69.1	29.5	40.8	10.9	22.8	18.8
REGION	Skopje	41.6	68.4	34.2	43.2	10.9	23.3	21.5
	Northwest Macedonia	41.3	59.4	33.0	29.4	11.0	24.9	28.0
	Southern Macedonia	44.4	71.8	30.8	39.8	10.6	14.0	19.1
	Eastern Macedonia	34.7	76.6	28.6	48.0	12.1	28.2	20.3
EDUCATION	Primary school	26.6	73.6	26.9	46.4	16.0	21.6	23.7
	Vocational school	40.0	68.3	33.3	43.8	10.6	26.0	21.2
	High school	46.4	68.0	33.9	37.6	9.6	22.1	22.3
	University degree	54.8	69.2	31.5	30.3	6.3	20.9	19.9
SOCIAL STATUS	Category AB (high)	51.4	66.1	30.0	35.9	8.4	24.3	20.6
	Category C (medium)	37.6	67.9	34.2	37.2	12.6	19.7	26.5
	Category DE (low)	36.7	72.4	30.7	46.4	11.4	25.1	19.5
NATIONALITY	Macedonian	41.7	72.6	29.9	42.4	11.6	24.7	21.8
	Albanian	38.5	61.2	40.2	26.6	11.6	17.1	21.5
	Other	31.0	57.3	33.8	51.7	8.4	19.4	24.7
	Don't know/NA	31.7	90.3	20.9	64.9	0.0	38.7	19.7
TOTAL		40.1	69.6	31.7	41.2	11.2	23.2	22.0

Attachment 3

Principles for Guaranteeing Editorial Independence

Proposed by the OSCE Representative to Freedom of the Media on 16 July 2003

Over the past years, foreign companies have started investing in the media in the emerging democracies. In several countries, foreign ownership is generally high with control exercised over the majority of the print media. In the history of Europe's constitutional culture, media play an important and indispensable role for the development of our democracies. The role and therefore the responsibility of the owners of journalistic media go far beyond other market oriented industrial products. In some Western democracies this difference is marked by special tax allowances. These are the reasons why the OSCE representative on Freedom of the Media is monitoring the situation closely. In general he does not get involved in cases where foreign ownership of media is in line with domestic legislation. However, potential reasons for concern exist, especially regarding the editorial policies of the journalistic media in the light of the often fragile state of democracy and rule of law. On the other hand, freedom of the media can be strengthened by investments in the media.

The OSCE representative to Freedom of the Media has approached media companies having international business interests to agree to observe the following principles:

- The ownership structure of all journalistic media, including those partly or solely owned by foreign investors, must be open to the public.
- On the editorial independence of the journalistic media, a common code of conduct should be reached between the staff and the board of directors on basic journalistic principles.

This common *code of conduct* shall contain at least the following principles:

- Support for human rights
- Support for fundamental democratic rights, the parliamentary system, and international understanding, as laid down in the United Nations Charter
- Combating totalitarian activities of any political type
- Combating any nationalist or racial discrimination
- Any journalistic media's institutional political affiliation should be clearly and publicly stated.

If instances of dismissal of editors-in-chief are controversial, they can be brought before the representative to Freedom of the Media, who would, upon request by one of the parties involved, act as arbitrator limited to journalistic matters. He or she would speak out in favour or against the dismissal on the basis of the journalistic principles referred to in mandate¹. This, however, shall not affect the right to dismiss the editor-in-chief for serious non-journalistic reasons. Furthermore, it shall not exclude ordinary jurisdiction.

Where a company owns more than one publication, it commits itself to safeguarding journalistic independence and plurality as a contribution to democratization and to strengthening freedom of the media.

1 "The OSCE representative to Freedom of the Media may at all times collect and receive from participating States and other interested parties (e.g. from organizations or institutions, from media and their representatives, and from relevant NGOs) requests, suggestions, and comments related to strengthening and further developing compliance with relevant OSCE principles and commitments, including alleged serious instances of intolerance by participating states which utilize media in violation of the principles referred to in the Budapest Document, Chapter VIII, paragraph 25, and in the Decisions of the Rome Council Meeting, Chapter X. He or she may forward requests, suggestions, and comments to the Permanent Council, recommending further action where appropriate."

PRESS RELEASE OF THE OSCE

OSCE media representative, media companies, propose principles for guaranteeing editorial independence. VIENNA, 16 July 2003 – The OSCE representative to Freedom of the Media, Freimut Duve, together with some media companies, has proposed a set of principles to guarantee the editorial independence of media in Central and Eastern Europe and the former Soviet Union which have been acquired by western media groups. "These principles set out the criteria that the media owners take upon themselves to adhere to once they are in a position to financially control a media outlet in one of the developing democracies," said Freimut Duve. "It is important that the new owners understand their responsibility towards the citizens of the country where they now own not only a business, but also a public service, indispensable to building a pluralistic and open society."

Among the principles outlined by the OSCE representative were: the need for ownership structures to be fully transparent; the establishment of codes of conduct governing the relationship between journalists and the board of directors; upholding democratic values and openly acknowledging any political affiliation of the media concerned. Germany's WAZ-Gruppe and Orkla Media AS of Norway have already agreed to support these principles. The OSCE representative plans to start a discussion with other media companies in the hope that they will also sign up to guarantee the editorial independence of media in the emerging democracies.

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