

EDITORIAL

HAVE WE LEARNT SOMETHING FROM HISTORY?

It is common knowledge that “history is the teacher of life”, and if this is so, then the current events dictate caution and a comparison with the almost identical events in the past and their similar consequences. We were prompted to the above by the procedure of founding a controlling private company Hrvatsko Drvo Ltd (Croatian Timber). To our relief, the Supervisory Board has not accepted the initiative; however, according to some rumours at the time of writing this Editorial, the founding procedure is continuing. We ask ourselves: how would the establishment of a new company improve and advance the business of Hrvatske Šume Ltd (Croatian Forests), which should be the main task of the company’s management? Ideas such as these, despite not having the support of the profession, are the product of the non-existence of a national forestry strategy and policy. Regardless of whether this initiative is put to practice or not, just to be on the safe side we will comment on it and mention some possible consequences. Together with the co-founder and major partner Hrvatske Šume Ltd with its 25% of the share, and the companies Spin Valis and Viševica-Komp with 7% of the share, the company would also incorporate nine other timber processing companies and the Croatian Chamber of Economy with 6.1% of the share. In addition to other activities, which mainly overlap with the already existing activities in Hrvatske Šume Ltd (?), the main business of the new company would relate to the promotion of quality and availability of Croatian timber, as well as the promotion of the timber industry in the country and abroad. Is not one of the principal tasks of Hrvatske Šume Ltd concerned with the promotion of quality and availability of Croatian timber? Why is it necessary to found a new company through which Hrvatske Šume Ltd would promote the quality and naturalness of Croatian forests, which has already been proven by the FSC certificate? After all, they have been doing exactly this for ages! Let us ask ourselves: what kind of contribution in business - achieving as much profit as possible as a legitimate goal of entrepreneurship - can be expected from every single investor? What is important for every industrial production is the input of raw and other material (for example, in 2013 it amounted to about 47% in Croatia). The goal of every manufacturer is to have high quality input at the lowest purchasing costs. How can Hrvatske Šume Ltd meet the legitimate entrepreneurial criterion of delivering the best quality material at the lowest costs? How does the state - co-owner find its interest to, pursuant to its share in the ownership, fill private pockets for meagre profit, thus squandering the national wealth, primarily at the expense of the principle of sustainable forest management? Is it possible that private interests are more important than the preservation of the national wealth such as forests? There are justifiable queries about whether the known investors are joined by some “secret investors”, and about who they might be. Definitely, the contracts signed with wood processing companies at non-market prices of raw material, as well as getting rid of secondary activities in forestry,

are an example of yet another gem in the “successful” restructuring of the above company. What other protection should timber processing require from forestry when, in relation to competition, it has a status rent? What else should, for example, Spačva Ltd need for successful business when raw material of the best kind falls into its hands at non-market prices? What is more, the company has made a pre-bankruptcy settlement with the same, “untouched”, management team which has in fact caused the company to have negative results. They claim, “we are saving working posts”, while at the same time they are forcing forestry employees to accept severance pay and take early retirement. In doing so, they increase the number of pensioners, burden the already over-burdened pension fund and lower the income of local communities in mostly rural areas, which in turn leads to their abandonment.

Furthermore, it is not far from truth that such company structure makes an ideal setting for corruption in and out of the company. To be on the safe side, as we have already said, and looking at the past events, we recall a forest-timber processing corruption scandal involving “Našička D.D.” from the 1930s, when the State suffered proven damage of 230.6 million dinars and unproven damage of much higher amounts (Source: Zvonimir Kulundžić “Politics and Corruption in Royal Yugoslavia”). According to the author, the problem of corruption was practically unknown in the well-organized Austro-Hungarian Monarchy. However, just before the start of World War One, the beginning of the end of the monarchy, the problem of corruption arose during the reign of *Ban* Nikola Tomašić, a very highly educated and cultured university professor and a deserving historiographer and bibliophile. His colleague Vinko Krišković, a university professor, said that “*Tomašić was principally guilty for introducing corruption into the Croatian public life*”. It all began with election funds, but then spread on, and as the author said “a belief took root which culminated in the then popular saying:” *As long as it is all by law*”. Does this saying remind you of something?

The huge corruption scandal received enormous publicity and the company’s top management - the participants in the corruption, were tried and convicted. Appeals were lodged and punishments were lowered and it all melted into thin air when the investigation moved towards the “tops” outside the company???. In the 750-page book with five chapters, the first chapter (p.70) entitled “*Corruption as a System and the Substance of Power*” and the second chapter (p. 326) “*The Ocean of Corruption*” or the so-called “*Našice Affair*” are of particular importance in this case. Space does not allow us to reproduce all the details of the affair on this page. Some of them have been directly or indirectly hinted at; therefore, we invite the readers to access our website www.sumari.hr, where we shall try to publish some interesting parts of the book.

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