

As Seen in June 2007

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BUSINESS

He left Yugoslavia 30 years ago and started a corrosion-resistance business in Minnesota. Now the founder and CEO of Cortec Corporation wants to clean up corruption and reinvigorate his homeland's economy from his seat on the city council of the country's capital, Zagreb (below).

Boris Miksic's Double Life

BY CHRIS KELSEY

In the first week of January 2005, large groups gathered in the streets of the Croatian capital of Zagreb in support of presidential candidate Boris Miksic. Exit polls and early returns in the nation's presidential election on January 2 showed Miksic in second place, with roughly 20 percent of the vote. The incumbent, Stjepan (Stipe) Mesic, had failed to earn 50 percent of the vote, which meant that a runoff election would be held between the top two vote getters.

Miksic had been riding an incredible wave. He'd entered the race only months before, investing nearly \$1 million of his own money and rising from obscurity to surpass in popular support most of the 13 candidates in the field. Even more remarkable: For the last 30 years, Miksic has lived in Minnesota, where he had founded and built a \$50 million corrosion-resistance business with customers worldwide.



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But when the votes from Croatians living outside Croatia, including the large contingency in neighboring Bosnia and Herzegovina, were publicly announced, the tally for Jadranka Kosor—whose party dominated the parliament and who had finished third in the local voting—leapfrogged that of Miksic, who finished with just under 18 percent by the official record. (Mesic went on to win the runoff.)

Thus, the protest march of Miksic supporters in Zagreb. There were charges of vote tampering, and some of the pro-Miksic protests became rather raucous. In the end, Miksic conceded, faced with bureaucratic and legal resistance to his challenge, and concerned that his image would be tarnished if his supporters were portrayed by the state-run media as disorganized. He soon announced his candidacy for a seat on the Zagreb City Council, which he won the following May.

Miksic's money certainly helped bolster his late entry in the presidential campaign. But Miksic, who has dual U.S. and Croatian citizenship, wants the focus to be on his economic message of Croatian independence and American-style opportunity. He wants Croatians to experience the entrepreneurial opportunities that he's taken advantage of in the U.S. It's a platform that's distinctive in Croatian politics. And it's a message that he has lived.

A 4,800-Mile Commute

■ Miksic is founder and CEO of Cortec Corporation, a White Bear Township-based company that manufactures anti-corrosion chemicals, films, and packaging products that are sold worldwide. Its revenue approached \$50 million last year and is growing steadily towards Miksic's target of \$100 million annually within the next five years.

While continuing to build Cortec, Miksic also spends about a week each month in Croatia for voting, committee meetings, and various other civic duties as a member of the Zagreb City Council. He is Zagreb's only independent councilman, unallied with any of the country's major parties. In this public role—and with his extensive business experience—he also serves on several corporate boards overseas. "It's a lot of work," he says. "Zagreb or the government has control over most of those companies: our national airport, the city's public transportation system. Things like that." Being a council member may be a step or two down from the presidency, but it still has some power. "The city council is sort of the country's second parliament," he says, "You have the [national] government, and you have Zagreb."

Croatia declared independence from Yugoslavia in 1991; that declaration led to a brutal four-year war with neighboring Serbia, which had dominated Yugoslavia's politics since that now-former nation was formed after World War I. Croatia is fully independent now. But, Miksic wonders, how free is it?

"What really got me involved in politics was that now we had a free country, a country we'd paid dearly for, and all of a sudden the politicians are helping Europe buy up the entire country," he says. "They are not fighting for a stronger Croatia, a stronger economy. They're giving the keys to foreign interests." According to Miksic, more than 90 percent of the banks are owned by non-Croatian companies, and much of the country's telecommunications industry is in the hands of German entities.

Instead, Miksic wants to see greater *Croatian* ownership of Croatian businesses. He doesn't consider this to be a xenophobic stance, even in a global economy. To Miksic, it reflects a real concern for Croatia's continued development

under its own guidance, and for the security of opportunity for its citizens entering the work force. "It's like the current U.S. concern for energy independence," he says.

The Croatian economy doesn't appear to be doing badly. The International Monetary Fund forecasts growth in gross domestic product of 4.7 percent for Croatia in 2007, with a slight cooling off in 2008 to 4.5 percent. Inflation is expected to remain below 3 percent. This relative economic stability should help Croatia formally enter the European Union (EU) in either 2009 or 2010. In 2006, outside investment in Croatia was \$3.6 billion—not bad, though Poland, Slovakia, and Hungary attracted more. This is partly due to Croatia's higher labor costs. On the other hand, Croatia is considered to have a strong education system and high labor skills, which could help it become a high-tech center. Meanwhile, Zagreb's Middle European beauty and culture are being discovered by tourists worldwide.

But perhaps the biggest business issue in Croatia is political and economic corruption. Miksic asserts that many of Croatia's current politicians are holdovers from the Communist era. "They are career politicians," Miksic says. He detests the old bureaucratic structure and its inefficiency: "If you look at Croatia's GDP, it's not even among the first Fortune 500 companies." (Croatia's 2005 GDP was \$38.5 billion, which would put the country at number 58 in the 2006 Fortune 500 ranking.) "So what are we talking about? We have a huge government in Croatia that's producing nothing."

Indeed, the Germany-based anti-corruption organization Transparency International has rated Croatia one of Europe's most corrupt business environments. Croatia dropped three places, from 67 to 70, in the organization's Corruption Perceptions Index of 159

countries from 2004 to 2005. On a scale of 1 (most corrupt) to 10 (no corruption), Transparency International gave Croatia a rating of 3.4. The World Bank's annual



"Doing Business" reports and the Heritage Foundation/*Wall Street Journal* Index of Economic Freedom have come to similar conclusions. The country still has numerous state-run enterprises, and the nepotism, favoritism, and mutual financial back-scratching that typified Croatia's "command economy" under the Yugoslav Communists stubbornly lingers on. Particular concerns are unregulated campaign financing and medical institutions. Getting off the waiting list for treatment in a Croatian hospital, for instance, often requires bribing doctors and administrators, according to Transparency International.

There isn't a whole lot Miksic can do as an independent Zagreb council member to battle this entrenched system. He's pretty much one against 50. Indeed, he refuses to be classified as entirely right, left, or center in his politics. It's this political stance that has many in Croatia and throughout Europe asking: Just who is Boris Miksic?

The Croatian Dream

■ If you think the American Dream is simply a fable, take a look at Miksic's life. He and his pregnant wife left Croatia

in February 1974 with \$37 and a doctored passport. His biggest help in getting into the United States was Dick Singer, a representative for a St. Paul-based company, Northern Instruments, which made corrosion-inhibition products. Singer, who met Miksic in Croatia, helped him get a job at Northern Instruments as a chemical engineer. Northern Instruments flew him and his wife to Minnesota and paid their rent for six months.

Four years later, frustrated by his slow rise in the company, Miksic got a \$40,000 loan and started his own anti-corrosion business in his garage. His timing was just about perfect. The market for products such as anti-rust coatings for metal and concrete supports and special packaging to protect the metal elements on circuit boards was just beginning to take off. His business grew quickly. He'd found what he'd sought in America: opportunity.

Then, in 1991, Croatia, which hadn't known true independence in Miksic's lifetime, made a break for it as Yugoslavia descended into chaos. Serbia then occupied Croatia, which called upon its many expatriates to help raise worldwide awareness of its plight.

"The influence from abroad—that's probably what helped us the most in liberating our country from Serbia," Miksic says. "The people who had emigrated to other countries organized support for the independence drive, and they especially helped financially. Also, they helped through political involvement."

During those difficult years, Croatia's first president, Franjo Tudjman, visited Minnesota during the war. Governor Rudy Perpich, the son of Croatian immigrants, invited Miksic to join them. Tudjman and Miksic struck up a friendship, and Miksic was appointed an honorary consul to the U.S. in 1995.

The following year, Miksic self-published an autobiography titled *American*

Dream: A Guy from Croatia. The book has been updated over the years, with new material added after his entry into Croatian politics. But *American Dream* remains primarily a book about business, pulled along by the current of an immigrant's story—its successes, disappointments, strategies, and legal disputes, along with a little analysis. And as its subtitle suggests, it's told in a straightforward manner, never lingering on his ups and downs. Miksic talks about his life as if it just might be commonplace, as if anyone might live it.

And perhaps that's the point he wants to make to Croatian voters: This kind of life could be *yours*, too.

Politics as Unusual

■ Miksic held the volunteer position of honorary consul for a decade. During that time, he began to think more deeply about his homeland's politics.

He tested the waters in Croatia by entering the 2003 parliamentary elections as an independent, and garnered just 1 percent of the vote. But he learned a great deal about the force of political parties. And that experience of observation convinced him that he could make a legitimate run at the presidency, a position he believed an independent, unencumbered by any party loyalties, could win. Miksic started spending more and more time in Croatia in the fall of 2004 in order to obtain resident status, then waited for elections to be called.

Like an ever-growing segment of the population in the U.S. and, it seems, in Europe, Miksic doesn't like the rigidity of party thinking. He's a Republican in the U.S., but primarily in the fiscal or business-oriented sense. He sees a real need to provide social support to create opportunities, and that requires some government spending. (He believes rein-

vestment in his business is essential to creating steady, long-term growth.) He admires Ronald Reagan, seeing him as a president who didn't want to talk much about things but just made them happen. Conversely, when he recalls his friendship with Perpich, he laughs and says, "He was a friend of Bill Clinton, you know."

In Croatia, he's sometimes viewed as a staunch nationalist, since he opposes the United Nations' prosecution of Croatian generals for war crimes. In Miksic's mind, since the conflict took place on Croatian soil, whatever the army did was a matter of defense, not aggression. He also cautions against EU membership, though only if it's without a referendum. If the people approve it, then the government should follow.

During his run for the Croatian presidency, Miksic was supported largely by young people seeking a fresh economic and cultural start for their country, conservatives suspicious of the EU, and the nation's aspiring entrepreneurial class. But his overall support in the council elections was low (6 percent), even in districts in which he'd fared very well during the presidential election. Some Croatian political writers have suggested that Miksic's support during his presidential run was a protest vote against the entrenched political establishment, not necessarily an endorsement of his politics. His decrease in support in the local elections may testify to that, or perhaps the negative campaign against him paid off.

Politics as Soap Opera

■ Miksic continues to expand Cortec's business in Europe and Asia. India and South America are the next markets he hopes to enter.



The business of politics continues, too. Miksic is considering another run for president when elections are called in a few years. The political situation in Croatia continues to be rather unpretty. He's been the target of numerous accusations against his character. (A former police officer, for instance, has charged that Miksic stole televisions as a young man.) The current president, Stipe Mesic, sued Miksic for slander after Miksic joked that Mesic had been given a house in France by that country's Secret Service. Mesic won the suit in 2006, but Miksic filed an appeal, which is still pending.

But perhaps strangest of all, and most telling of the challenge Miksic faces in returning politically to a free Croatia, is to be found on a popular Croatian soap opera. The show, *Villa Maria*, inspired by the frenzy of the presidential race, incorporated Miksic as a character—casting an American to play him.

Politics, as Miksic would probably agree, can be a very strange business.

TCB

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