

STENOGRAPHIC RECORD
of the 19th Session of the
SUPREME DEFENCE COUNCIL
held on 16 March 1994

The session began at 1240 hours.

Attending the session: Zoran LILIĆ, the President of the Federal Republic of Yugoslavia /FRY/ - President of the Supreme Defence Council; Slobodan MILOŠEVIĆ, the President of the Republic of Serbia and Momir BULATOVIĆ, the President of the Republic of Montenegro – members of the Supreme Defence Council; Dr. Radoje KONTIĆ, Federal Prime Minister; Pavle BULATOVIĆ, Federal Minister of Defence; Colonel General Momčilo PERIŠIĆ, Chief of the Yugoslav Army General Staff; Major General Slavko KRIVOŠIJA, Chief of the Military Cabinet of the President of the FRY and Major General Borivoje JOVANIĆ.

(Stenograph taken by Jordan ŽIVANOVIĆ, senior debate stenographer – sub-editor in the Office of the FRY President).

The session was chaired by Zoran LILIĆ, President of the Supreme Defence Council.

Zoran LILIĆ:

I propose that we begin. You've received the draft agenda for today's session:

1. PROPOSAL ON RATIONALISED EXPENDITURE FOR THE FINANCING OF THE YUGOSLAV ARMY IN 1994
2. CURRENT ISSUES:
 - some personnel issues
 - a request of the Organisation of Federal Reserve Officers of Yugoslavia.

Are there any proposals under current issues?

General PERIŠIĆ has two questions under current issues.

Before we begin the discussion of the agenda, I'd like to ask if there are any remarks to the minutes of the 18th session of the Supreme Defence Council? (None).

I hereby declare the minutes adopted.

Let's move on to the first item on the agenda:

1. PROPOSAL ON RATIONALISED EXPENDITURE FOR THE FINANCING OF THE YUGOSLAV ARMY IN 1994

The documents you have received include a Report on the needs of the Yugoslav Army in weapons and military equipment, ways to finance this and a program to provide flats for the needs of the Yugoslav Army.

I'd like to ask Pavle BULATOVIĆ to briefly present some details from the documents you have received.

Pavle BULATOVIĆ:

Mr. President, we acted in compliance with your decision from the previous session that the Federal Ministry of Defence and the General Staff, within the framework of the planned budget funds for 1994, to try to allocate expenditure for certain items which were assessed as the most urgent at the time and, I'd add, the most critical.

I think there is no need to inform the Council in detail about the problems and difficulties in financing the needs of the Yugoslav Army since we've already had several meetings about this.

A team from the Ministry and the General Staff, including myself and General PERIŠIĆ, tried to carry out this task and did so in the manner presented in these documents. Namely, we decided that it was possible, at a given time and from the volume of the planned budget funds for the current year, tentatively speaking, to make certain cuts, strengthen the position of procurement of weapons and military equipment for the Army and invest into scientific research development. We found funds in the

amount of approximately 50 million new dinars, 38 million of which have been earmarked to increase procurement of weapons and military equipment for the Army and 12 million to promote scientific research development in the Yugoslav Army.

This amount was found in the following manner: the General Staff proposed to give up 10,000 paid members of the Yugoslav Army – 5,000 soldiers under contract and 5,000 reservists. Therefore, in view of this, funds in the amount of 44 million dinars were redistributed, and another 6 million was found in cutting down strategic war reserves. Therefore, by reducing the number of paid members of the Yugoslav Army by 10,000, funds for quartermaster, training and medical support costs were reallocated.

However, despite that, the increase in needed weapons and military equipment covers obligations transferred from 1993 to just about 92%. This means that, with the funds available in 1994, we can't count on procuring any new equipment from the FRY special-purpose production program. This will not only affect the combat readiness of our Army, but also directly affect production, that is, it will have economic consequences because there are nearly 60,000 workers directly or indirectly involved in special-purpose production. This will result in very low utilisation of capacities of perhaps 10 to 15%. Unfortunately, this is also the average in other branches of economy, but some manufacturers will be forced to literally cease production.

I think there is no need to burden you with the tables already presented at the previous two meetings. The chart clearly shows where the cuts were made, that is, where the increase came from.

Borivoje JOVANIĆ:

The reduction in the number of paid persons – 5,000 reservists and 5,000 soldiers under contract – is automatically reflected in a reduction in the cost of training, salaries, quartermaster supplies and medical support. The amount of 44 million was found there and 6 million was found in strategic war reserves.

I would like to note that strategic war reserves have not been reduced because we saw this was possible, but it was assessed that strategic war reserves could not be replenished due to procurement conditions since many are import components or imported directly from abroad. In view of the overall situation and the possibility of obtaining foreign currency, we assessed that certain goods valued at 6 million could not be procured in 1994.

Zoran LILIĆ:

This means that the funds obtained by reducing the number of soldiers were transferred for this purpose.

Borivoje JOVANIĆ:

An increase has been made solely for these two purposes: scientific research work and completion of launched projects and weapons and military equipment in order to reduce transitional obligations.

If you allow me, I would like to explain the 1.264 billion. The overall funds represent a 0.7% reduction in relation to the plan for 1993. Last year it was 8% of the national product – that's around 800 million US Dollars, and this year it's 743 million US Dollars.

With these funds we are entering a very unfavourable year regarding many matters: first of all, considerable transitional obligations, financing of the civilian defence which was so far done by the republics and is now to be done by the federation – funds for this have not been earmarked; financing of the reserve force although the Chamber of Republics decided in March last year that this activity will be financed in the next five years by the Federal Government since the age of conscripts serving their compulsory military service has been increased from 18 to 21. The Federal Government assessed it could not find the money at present and that this had to be incorporated into these funds.

Second, we are having serious problems in obtaining foreign currency, that is, the foreign currency quota. Specifically, for the first three months, we did not manage to secure the necessary and planned import of goods. We asked the Government for around 50 million US Dollars, and got only 9.7 million US Dollars, of which only 6.6 million has been paid for special equipment as per earlier orders of the Supreme Defence Council and the Government, leaving us with 3.7 million.

On obtaining foreign currency under the new decision, I think the situation might improve slightly, but it depends on the volume of the import contingent we will be allowed.

Pavle BULATOVIĆ:

I'd like to say something about the financing in the first three months.

According to the plan for the first quarter, from January until 15 March 41% of the planned funds has been paid to the Yugoslav Army. I must say that the amount received from the budget in January and February was very small but there was an increase in the first 15 days of March. This means that 35% of the planned funds for the first quarter were paid during the first 15 days of March.

However, the biggest problem are obligations carried over from 1993, since these obligations, amounting to some 33 million dinars, represent a deficit which now constantly appears in relation to the funds currently received.

On 15 March, the Army's debt to the economy was 34,290,000 /dinars/. This is a major problem both for the economy and in respect to its fulfilment of contractual obligations towards the Yugoslav Army. If the planned funds continue to be paid to the budget as they were in the first 15 days of March, the problem would be somewhat alleviated, although the transitional obligations from 1993 are a major problem. We are in no position to contract new quantities and make new orders for 1994.

Momčilo PERIŠIĆ:

I would like to present two important facts regarding the financing of Republika Srpska and the Republic of Serbian Krajina and give you the latest information about reserve supplies.

As far as the reserve supplies are concerned, we should have ammunition and all other war materiel for 10 combat sets. You all know that a combat set comprises 150 bullets for an automatic rifle and around 40 to 50 for tanks and artillery weapons. We should have 10 b/k /combat sets/ for everything. We have nothing in the Supreme Command reserve or the General Staff, all we have are unit reserves (showing figures from a table).

The most difficult situation is with kerosene because it is imported. Some quantities can be obtained from the oil refinery but the problem is so great that we will have to either stop training pilots or put the trained pilots in a very difficult position of being unable to fly.

About the requests of Republika Srpska and the Republic of Serbian Krajina, the situation is as follows: 522 million for the Army of Republika Srpska – for equipment, scientific research work, construction of military facilities and configuration of terrain, housing construction and strategic war reserves. This amount is not included in the budget. There is also the request of the Republic of Serbian Krajina.

Except for officers' salaries, we should either allot special funds or tell them we can't give them anything.

Pavle BULATOVIĆ:

Their requests are bigger than our whole budget?

Momčilo PERIŠIĆ:

Yes, 829 million dinars.

I think you should decide how much we can give them. I promise we won't give them anything without the approval of the Supreme Defence Council and if it directly endangers our combat readiness. Our reserve supplies are really minimal for the purpose of carrying out basic tasks – and that's for ten days of war!

Zoran LILIĆ:

We reached a decision about this at the previous session. We agreed to make a program and then see about the possibilities of financing it and from where.

Momčilo PERIŠIĆ:

The decision has been adopted, but we now have the problem of financing. If I give them anything – if I take infantry ammunition from the stock, I should get money either from them or someone else to order reserve supplies from the manufacturer and replenish the reserves in a month's time. Otherwise, we can't do it.

I'm asking you to put pressure on them because they have the money and I have the feeling they are not allotting enough funds for their army.

Zoran LILIĆ:

So, this is only as additional information?

Momčilo PERIŠIĆ:

Yes, this is additional information.

Zoran LILIĆ:

Does anyone have anything to say?

Rajo KONTIĆ wants to say something.

Radoje KONTIĆ:

I'd like to say something about the situation with the federal budget. Payments to the federal budget, in relation to the planned amount from the real sources of funds, have fallen behind. We expected the ratio between real sources of funds and the primary money issue to be 70:30% - 70% from real sources and 30% from the primary money issue. Unfortunately, in the first two months – I have the figures until the end of February – the ratio is about 50:50%.

Slobodan MILOŠEVIĆ:

If you're looking at it cumulatively from 1 January, it's incomparable.

Radoje KONTIĆ:

Why is it incomparable?

Slobodan MILOŠEVIĆ:

Because you can't take the first 27 days of January. If you weigh January and February, then the financing must certainly be better.

Momir BULATOVIĆ:

Well, then the 50:50% ratio is right because you had 100% in February, not in January.

Radoje KONTIĆ:

Yes, but that's not the issue. This shows something else what is much more important.

What happened in March is not the result of a sudden inflow of funds to the budget because there is no such thing as a sudden inflow of funds to the budget. The sole direct revenue to the federal budget is from customs duty and contributions, there is no other revenue.

Slobodan MILOŠEVIĆ:

Contributions are a broad term.

Radoje KONTIĆ:

We have customs duties which are in keeping with the regulations and contributions which vary from 5% to 9% - we've increased them, they were lower – between 3% and 5%. We expected huge earnings from customs duty, but what happened? Imports drastically dropped in January and February. Last year, imports were valued at 250 million US Dollars on the average, while import in January and February this year was only 150 million US Dollars. More than half was exempt from customs duty and contributions because it either came from Republika Srpska and the Republic of Serbian Krajina or was humanitarian aid.

Therefore, we *de facto* had customs duty of around 70 US Dollars! This means that funding of the budget from this source was disastrous – only 16 million dinars for two months.

There is no other direct revenue – we have court and administrative taxes which are nothing and don't represent a serious contribution to the budget.

Our other direct revenue comes from sales tax given to us by the republics. The republics have set the ratio at 60:40% and they are paying the 40%.

The rest is from the primary money issue.

What Pavle just said, we had to take a 30% loan from the primary money issue, but not because the bank approved it but because we did not spend the aliquot part for January and February. Therefore, our spending was below average and we could meet all our obligations with the primary money issue alone.

Our situation, from the aspect of funding of the budget, is disastrous.

What can we do now? We are preparing to increase customs duty and contributions and the Federal Government is meeting today to discuss this. However, this cuts more ways than one – an increase in customs duty and contributions will result in a large expenditure input which will be reflected on the economy through prices. I think we should be selective – we shouldn't increase prices of raw materials and semi-manufactured goods which we directly produce, but we could increase the prices of final goods, which we have to import anyway, and of luxury goods. However, it will not be an amount to expect a boom in the real source of income.

Another option is to start negotiations with the republics to change the ratio from 60%:40%, to give us more for our needs – perhaps 50%:50%, so that we could close the budget with the primary money issue of 30%. The primary money issue of 30% is already unacceptable. I think this percentage is disastrous for the stabilisation program despite the fact that it is covered by foreign currency amounts. It means nothing in the long run, it only has a strong psychological effect momentarily, but in the long run – the primary money issue is the primary money issue.

Otherwise, I have no other comments about what has been said here. Obviously, a tremendous effort has been made to switch from one set of items to another. I think that's just fine. That's all about the first set of documents.

The situation is much more difficult regarding the second set of documents – the Report about the Yugoslav Army's needs in weapons and military equipment. I am not against the conclusion you proposed, but an analysis of outstanding foreign debts should be made, is it possible for them to be repaid. There is no problem with foreign currency or the contingents. We have the foreign currency and we can give them as much as they want. We can also give them the contingents they need, the problem is in the dinar equivalent – someone has to pay.

Therefore, Mr. President, I have no comments about the conclusions, but an analysis should be made about those funds – to whom do they belong and how can we get payment in view of the blockade; and can they be paid at all?

As far as the third conclusion is concerned – I think it's the same – all those funds are from the SDPR /Federal Directorate of Supply and Procurement/; there's no need for a separate conclusion.

Zoran LILIĆ:

Those are Army funds with the SDPR.

Radoje KONTIĆ:

Yes, but you didn't do business directly, everything went through the SDPR. Therefore, there can't be one, two or three conclusions – that's one conclusion, it all went through the SDPR.

I think an analysis should be made to see which countries are involved, to who do the funds belongs and whether we can get payment; it would be additional dinar funds for the budget – not from the budget, but in relation to the budget.

Slobodan MILOŠEVIĆ:

I think that all those involved should be arrested!

Radoje KONTIĆ:

Yes, but that wouldn't solve the problem.

Slobodan MILOŠEVIĆ:

Oh yes it would, and how!

The same goes for customs duty. Rajo, I have my doubts about those customs duty figures! If we start sorting out the tangle, many "heads" will roll! The customs duty figures are downright lies! We are being told that, all of a sudden, import has dropped three times since the New Year!

Radoje KONTIĆ:

It's the Greeks' fault!

Slobodan MILOŠEVIĆ:

That's not true! We'll have an investigation and "feathers" will fly. I've had it with swindlers!

Radoje KONTIĆ:

Most imports came through Macedonia.

Slobodan MILOŠEVIĆ:

I think we should first arrest all the swindlers! After we've finished with them, we'll deal with other problems.

All right, I'm reading this text! Momo (addressing General PERIŠIĆ) how can you know this and not arrest the crooks?!

Momčilo PERIŠIĆ:

How can I arrest them, Mr. President, if it's not within my competence? It's completely outside my competence.

Slobodan MILOŠEVIĆ:

What do you mean it's not within your competence? Isn't this within the competence of the military?

Momčilo PERIŠIĆ:

No it's not, Mr. President.

Slobodan MILOŠEVIĆ:

Well, who gave them the right to make it not military?

Momčilo PERIŠIĆ:

Mr. President, I and several other people have found this out and now it's my fault? The SDPR is not a military company and the Army has no say in the matter.

Slobodan MILOŠEVIĆ:

Since when isn't it a military company?

Pavle BULATOVIĆ:

It hasn't been for a year and a half.

Slobodan MILOŠEVIĆ:

On what grounds isn't it military?

Pavle BULATOVIĆ:

It became a holding!

Slobodan MILOŠEVIĆ:

How?

Pavle BULATOVIĆ:

They did it themselves.

Slobodan MILOŠEVIĆ:

Does that mean that it took, seized military property and declared itself a holding?

Pavle BULATOVIĆ:

And registered itself as one.

Radoje KONTIĆ:

Proceedings have been launched. I have already filed it with the court.

Zoran LILIĆ:

I think there's more sense in putting them in jail and conducting an investigation then! That's only the tip of the iceberg.

Slobodan MILOŠEVIĆ:

Well, look what they did: "All the above-mentioned missiles are outdated and should be placed out of commission." We have to pay to destroy them, not buy them! That's downright sabotage, highway robbery, theft!

How come it's not within the Army's competence?

Pavle BULATOVIĆ:

It's not within the competence of the Army or the Federal Government.

Slobodan MILOŠEVIĆ:

Well, within whose competence is it?

Pavle BULATOVIĆ:

I don't know.

Zoran LILIĆ:

Well, it should be within the competence of the police!

Radoje KONTIĆ:

When the registration is annulled in the proceedings that have been filed, it will be within the Army's competence. It's with the Public Legal Officer.

Slobodan MILOŠEVIĆ:

Momo, please don't tell me that it's within your competence when I arrest those colonels! I'll do it tonight.

Momčilo PERIŠIĆ:

Mr. President, I've done all I can, you see that I "dug" it up.

Slobodan MILOŠEVIĆ:

What you've said is enough: if it's not within the competence of the Army or the Federal Government, then it's within the competence of the Serbian police! I'll give it to them now and tonight they'll all be in jail.

Momčilo PERIŠIĆ:

Please don't, let it run its course.

Slobodan MILOŠEVIĆ:

What course – this is downright robbery!

Momčilo PERIŠIĆ:

I must say this. Pardon me, you can rest assured that I'll be on your side in all matters – till the very end. I don't defend people like them – they are scoundrels whom I'd have shot by firing squad! But, since we are a state of law, it wouldn't be right.

Mr. President, we have the same thing in other segments of society. It hurts me that people are getting rich on the blood of the Serbian people. We must launch an all-out operation to arrest all scoundrels!

Zoran LILIĆ:

Who cares about an all-out operation, we have a specific problem here!

Momčilo PERIŠIĆ:

Don't worry about anything that is within my competence. However, not everything is in my competence!

Slobodan MILOŠEVIĆ:

Take a look at this: missiles, ammunition, military equipment, aircraft engines and kerosene for the army! The thieves stole 100 million US Dollars?

Momčilo PERIŠIĆ:

They stole 105 million US Dollars and took it out – and now they don't have backing.

Slobodan MILOŠEVIĆ:

I see it now. It's probably over by now?

Pavle BULATOVIĆ:

The whole inspection procedure is not over yet.

Zoran LILIĆ:

Yes, but they shouldn't be in those positions because papers and documents are disappearing now.

Pavle BULATOVIĆ:

That's hard to do – they have representative offices in Singapore, China, India and Cyprus. It's difficult to conduct a supervisory inspection there.

Zoran LILIĆ:

If you want, we can prepare a full report and discuss it separately?

Momir BULATOVIĆ:

A state of law is not a state of law if it lets ordinary swindlers steal 100 million US Dollars from it.

Zoran LILIĆ:

There's something else: certain generals whom we pensioned off for various reasons are now working there as "prominent financial experts". That must be of interest to us.

There's really only one place where they should be – in prison.

Slobodan MILOŠEVIĆ:

About the Program of economic recovery, I don't think we should make any exceptions.

Zoran LILIĆ:

Absolutely!

Slobodan MILOŠEVIĆ:

I think we should call the people who worked on the Program, particularly those who worked on the part dealing with taxes, customs duty and so on. I think that the question of customs duty should be thrashed out. There's far too much corruption there. We are now conducting an investigation of sorts. If we catch them and things turns out the way we think they are, it'll be a miracle! It's in a state of utter disarray. The fact that they are covering imports from Republika Srpska – what could have they imported from Republika Srpska in the amount of 70 million US Dollars? That's a downright lie!

Zoran LILIĆ:

It's only on paper!

Slobodan MILOŠEVIĆ:

They presented forged documents. What could have they exported from Republika Srpska in the amount of 75 million US Dollars? Come on, this is no joking matter.

Mičo STANIŠIĆ is working on this in Republika Srpska now. He's already fixed some of these gangs and they'll be arrested. They've stolen 1,200 Golf vehicles, sold them and taken the money! Now they are looking for those who took and who sold them. That's real money – 1,200 cars times 20,000 DEM each, figure out how much money that is!

Zoran LILIĆ:

Someone took a billion DEM!

Momir BULATOVIĆ:

One has to appreciate all the efforts made by the Ministry of Defence and the General Staff regarding the reallocation of funds. I know it won't solve any problems, but I agree with what President MILOŠEVIĆ said – we simply can't let ourselves be drawn into the vicious circle of the problems we used to have.

I agree with the previous remarks and with what Rajo KONTIĆ proposed. I would like to say something in principle about what General PERIŠIĆ just said. It is true that the requests of Republika Srpska and the Republic of Serbian Krajina

are enormous. But it is also true that we don't have any financial sources where we would get supplies needed by our Army for nothing, because we have to pay for them. Therefore, I think we should pursue this principle of cooperation and assistance – we can't abandon them at a time like this, but they must make an effort and find the money, even if it's from their own pockets. Unfortunately, there are many of them who can privately contribute to any of our budgets. Therefore, we should help but on business principles.

Slobodan MILOŠEVIĆ:

The financial situation is perfectly clear. We know the situation with the Yugoslav Army's reserves – the only conclusion about the reserves is that they should be replenished, not reduced.

Therefore, for the needs of the other side, these reserves simply cannot represent a source because there's nothing there. Only military production can be a source. A plan should be made for military production of ammunition and other supplies and see about a financial scheme, including mobilisation of funds which they are getting one way or another, which they are mobilising, etc. so that we can close the financial scheme. Now they're cutting sawn timber, extracting 500 tonnes of oil a day, a number of factories are working and so on.

The only assistance we can possibly give them is what is contained in the budget of Yugoslavia. Therefore, PERIŠIĆ cannot give anything from the reserve supplies because there is nothing there. He shouldn't come under pressure from them because our military budget does not include delivery of supplies to them. It has been stripped bare solely for the needs of the Yugoslav Army which cannot be stretched to fit other needs. Thus, a financial scheme of the military industry must be made and it can be the only source of assistance in future. I don't see any other way.

Momir BULATOVIĆ:

I agree.

Slobodan MILOŠEVIĆ:

We can always authorise Momo to help them after an order is made with *Prvi Partizan* for example, after the money is paid and the factory is working on it, he can close the gap for 15 days and return the goods to the warehouse; that can be arranged, but the reserves must not be depleted.

Thus, the military industry is the source. It should be put to work but this cannot be done without a financial scheme. See with them about a financial scheme and have the Federal Government make a program to see how to work it out. If they give the money, then it's fine. There is no money outside the program.

Zoran LILIĆ:

I would like to propose several conclusions.

All right, we're adopting the proposal on rationalised expenditure for the financing of the Yugoslav Army in 1994, as presented by the Minister of Defence in his excellent report. It does not exceed the previously set framework.

We could also adopt a conclusion that the Federal Government should make payments to the Ministry of Defence according to the established schedule so that it could meet obligations which have fallen due as much as possible.

The second conclusion we've adopted is the proposal of the Federal Ministry of Defence on ways to restore the disrupted system of supply and replenishment with weapons and military equipment, including the proposals set out during the discussion – to make a single plan to renew the NVO /weapons and military equipment/ through consultations and the needs of Republika Srpska and the Republic of Serbian Krajina, for which an appropriate financial scheme should be worked out which would not affect the adopted program.

You had a chance to review the documents regarding the housing. I believe we can uphold it. It's a long-term policy towards the Federal Government for a 10-year period.

Those would be three conclusions.

Radoje KONTIĆ:

This has to be prepared and to see about the sources of funds.

Zoran LILIĆ:

I propose that the wording of the conclusion be as follows:

The Supreme Defence Council upholds the program to provide flats and entrusts the Federal Government to speed up the procedure for its adoption by the Government and the Federal Assembly.

Radoje KONTIĆ:

That's no good. It says here that there are no funds for this. I said that customs duty and contributions represent direct revenue to the budget.

Zoran LILIĆ:

But, that's already been included in the budget.

Slobodan MILOŠEVIĆ:

There are 10,000 vehicles with diplomatic "E" plates. We don't have such reciprocity with any other country. This must be abolished immediately, within three days: the vehicles should either be taken to the customs warehouse or customs duty should be paid and the vehicles registered. People get a piece of paper, buy a car in Frankfurt and bring it here, register it and drive around in vehicles with "E" plates. I saw on television that the owners of *Dafina*, *Karić* /banks/ and others all have diplomatic plates, but they have millions of Deutsch Marks. Many company directors also do this. These cars cost between 200,000 and 300,000 DEM and they should all be taxed.

This doesn't apply to diplomatic staff with "A" plates on embassies' diplomatic lists.

Just the other day, I saw Duško MITEVIĆ drive an American car. There are many of them.

Momir BULATOVIĆ:

He does this by paying 2,000 DEM annually for the registration of a company in Cyprus which automatically enables him to bring a new car without paying customs duty.

Slobodan MILOŠEVIĆ:

Good luck to him, as long as he pays customs duty and contributions!

Momir BULATOVIĆ:

The law must be changed.

Slobodan MILOŠEVIĆ:

It must be changed immediately.

Radoje KONTIĆ:

That's a republican law.

Slobodan MILOŠEVIĆ:

How come the republics are dealing in diplomatic matters?

Radoje KONTIĆ:

Not with regard to diplomatic offices, but there are no economic representative offices – they are only in the republics.

Momir BULATOVIĆ:

We don't have that in Montenegro, that's within the sole competence of the Republic of Serbia.

Zoran LILIĆ:

Would that be the Ministry of Trade?

Momir BULATOVIĆ:

They regard the vehicles here as property of foreign companies and they don't have to pay anything.

Slobodan MILOŠEVIĆ:

We're such fools! It's incredible!

Radoje KONTIĆ:

That's a very comfortable income at the moment.

Momir BULATOVIĆ:

That's 10,000 cars times at least 10,000 DEM, that's 100 million DEM.

Zoran LILIĆ:

OK, can we move on to Current Issues?

Radoje KONTIĆ:

I'm still somewhat uncertain about the third item. That's not included in the budget, it's separate from the budget.

Pavle BULATOVIĆ:

The plan does not require funds from the budget. It's an attempt to make an arrangement of sorts through a financial scheme with the manufacturers and the banks.

Radoje KONTIĆ:

In that case, I have nothing against it but it says: "source of funds from the federal budget".

Momir BULATOVIĆ:

You have earmarked 50 million for housing construction in the military budget.

Radoje KONTIĆ:

What's been defined for this year is in the budget and that's fine. But this isn't – that's separate. I'm not saying it just like that. I have nothing against it, but someone has to find this.

Well, we'll have to work on this, define it, present it to the Council for discussion and then decide.

Zoran LILIĆ:

Well, the Ministry of Defence and the General Staff are to prepare this for the Council. There is support in that sense.

Radoje KONTIĆ:

That's fine.

Zoran LILIĆ:

Let's move on to the second item:

2. CURRENT ISSUES

I propose that we discuss personnel issues regarding the 30th and 40th personnel centres.

The Chief of the General Staff will say a few things.

Momčilo PERIŠIĆ:

You have the documents. They deal with three important issues:

The first issue is the promotion of non-commissioned officers into officers – 155 of them have been promoted in Republika Srpska and the Republic of Serbian Krajina. The difference in salary is 29,000 dinars. Since we finance their officers, this automatically means an increase, and there can be no increase. Therefore, if we accept this, it means a reduction in salaries, there's no other way.

The second issue is about the 139 cadets who graduated from their schools. We need 270,000 /dinars/ for 139 officers and this amount has not been planned. Therefore, again there's no increase, we can reduce salaries.

They propose that we educate their cadets in our academies and military schools, as follows: 338 in military academies and 86 in secondary military schools, and in view of our accommodation facilities, we can take in 180 and 60 – that's a total of 240. That would cost us 4,032,000 dinars. For these three items we need around 4,300,000 dinars. If funds have been allotted for them as aid, they could be transferred to the military budget and we could increase the salaries by that much. If there are no funds, then we can't accept this because it would mean a radical cutback on the already low salaries.

Radoje KONTIĆ:

We were absolutely restrictive about federal budget funds for the needs of Republika Srpska and the Republic of Serbian Krajina. We even went so far that it could have offended the dignity of those for whom it is intended.

Aid for refugees in the country, meaning the FRY, has been planned at around 23 million dinars. That's for accommodation, health services, monetary compensation to the wounded of Republika Srpska and the Republic of Serbian Krajina, humanitarian aid to the wounded of Republika Srpska and the Republic of Serbian Krajina, disability allowances, orthopaedic aids and so on.

Second, additional funds for the UN-protected territories – that's according to the Vance Plan – in the amount of 15 million dinars.

Those are minimal funds. Additional funds are used to finance the police in the Republic of Serbian Krajina, education, health care and so on.

Zoran LILIĆ:

Is the money Momo was mentioning included in that?

Momčilo PERIŠIĆ:

From the moral aspect, it's much better to pay a fighting officer than an officer who is a refugee, and many of them are able-bodied.

That's a total of around 4.3 million.

Zoran LILIĆ:

I propose we accept this.

Momir BULATOVIĆ:

I'm having difficulty in understanding all this. That's not a lot of money, it's 1.3 million this year.

I don't think that the Defence Council should discuss the first request for 29,000 dinars.

I think it would be a matter of principle to take these youths, educate them and bear the costs as the Federal Republic of Yugoslavia. The rest should be within the competence of the Army of Republika Srpska and the Republic of Serbian Krajina. That's not a heavy financial burden.

It's our obligation to pay the salaries of non-commissioned officers. If they want to make them equal in view of their merits and so on, let them allot the 29,000 dinars. That's not a lot. What we are obliged to do is train them and we should take that upon ourselves.

I'm not insisting on any of these solutions, but I think this is a good proposal.

Zoran LILIĆ:

All right, do you agree with Momir's proposal? (Approval).

So, we have decided to pay for the education of 180 students at the military academy and 60 pupils at the secondary military school in the 1994/95 year and pay for their education this year and until they complete their schooling.

The other two items should be dealt with by Republika Srpska and the Republic of Serbian Krajina.

Momir BULATOVIĆ:

We are paying the salaries to non-commissioned officers and they can pay the officer allowance.

Zoran LILIĆ:

Yes, the difference is a small amount.

These funds will be transferred by the Prime Minister to the budget of the Yugoslav Army. That's just over one million, Rajo.

Radoje KONTIĆ:

All right, that's not much.

Zoran LILIĆ:

Let's move on.

Momir BULATOVIĆ:

What's with the nine law graduates?

Momčilo PERIŠIĆ:

That's under to the same principle – they are hiring them and they can pay their salaries. We have a legal system here and the legal system there is busted. They don't have enough military experts there and neither do we. The fact that there is no legal system has created a black market and there are all kinds of goings on. We must help them by sending lawyers, but these – they can employ them under their own principle. That's the essence.

Momir BULATOVIĆ:

Why are we paying for their judiciary, police and education from our budget?

Radoje KONTIĆ:

The 80 /million/ here is for the Republic of Serbian Krajina. The 15 million we are giving is the total amount. So, we don't have to pay twice.

Zoran LILIĆ:

All right, let's move on to the problem of recruitment.

Momčilo PERIŠIĆ:

We should have 63,000 soldiers now, but we only have 41,000 or 65%. This number will be reduced proportionally when soldiers complete their compulsory military service in the next three years. The only solution we have is to upgrade this number with conscripts.

However, the problem is in the fact that each year 19,000 *šiptars* /derogatory for Albanian/ and 3,000 Muslims do not serve their compulsory military service. We have to find a way to make them serve their compulsory military service.

One way would be to have them pay a certain amount, but that would be discrimination and could have political consequences. However, if we do that, then everyone who is well-off, including Serbs and Montenegrins, could pay and not serve compulsory military service.

We must make them either serve their compulsory military service or otherwise punish them. They are now going to schools in Germany, Albania, Turkey, Macedonia and elsewhere and will fight against the system in future. But that's better

than if we trained them and have them fight against us anyway. They are very dangerous. Muslims are also causing problems lately. A month after they come to the army they become organised and work detrimentally in the units.

There is also a problem with soldiers under contract. We should have 27,000 but there are only 12,000. They are not motivated because the pay is low and another reason is very poor selection, so we are unable to meet the quota. This category should be upgraded in the coming period and replenished with young men serving their compulsory military service. This category should be avoided until the economic situation is stabilised and they are stimulated to come, among other reasons, for material reasons.

The third problem is poor response of military conscripts. The average is 48%, but it differs from region to region. There are many causes. We must analyse the situation in its entirety.

A solution is to adopt a decree strongly sanctioning failure to respond to call-ups for military exercises. There is, however, an aggravating circumstance since we are not touching the combat units now. We have adopted a stand that after a unit is mobilised it has to go and fight. We are now calling up persons without assigned posts, who are not part of a unit. If they are not part of a unit, they can't identify themselves and are not motivated as the men in combat units.

You could help us through district chiefs – district and municipal chiefs and the chiefs of your bodies – to increase their engagement in helping and motivating the men to respond to call-ups. That's one thing. The second thing is to adopt a decree on stricter sanctions against /those who fail to meet/ this obligation.

Zoran LILIĆ:

I think we can take this as information. It makes more sense to discuss this at the level of Ministries and the two governments.

Momčilo PERIŠIĆ:

We'll do that, but I am telling you so that you know that this is one of the problems.

Next on the agenda are personnel issues.

General BOJIĆ has filed a request for retirement. He's a good man and hasn't been revolted by anything. He fulfils one of the requirements for retirement and I see no reason not to approve it. His name is Slobodan BOJIĆ.

Radoje KONTIĆ:

He's just been appointed to the Committee for Cooperation with the UN.

Momčilo PERIŠIĆ:

The second request was filed by MARINKOVIĆ, who was the Ministry of Defence Logistics Supply Department Chief. There is no proof but he is mentioned in the report. I propose that we pension him off and take measures after we find the perpetrators.

The third request was filed by TASIĆ, a naval commander who has fulfilled both requirements. He was appointed by decree. He is an honourable and honest man. I propose that we give him the rank of rear admiral when we pension him off. He would be replaced by NOVKOVIĆ – this is just for your information. I'll appoint him by an order and he'll be appointed by decree when the time comes.

We should think about what to do with ČELEKETIĆ – he's the new Commander of the Army of the Republic of Serbian Krajina. They promoted him to the rank of general and we should verify this. But since he has just taken over his duties, I propose that we let him work for a few months and see how he fares.

We have Colonel Trpko, a Macedonian, who fulfils the requirements for retirement. He was appointed by decree. We can either pension him off or promote him to the rank of general. That would be a good move because we would show we're not differentiating among nationalities in the Army. However, some elements /of his promotion/ could have a negative effect on certain Army officers. I say that we pension him off without a promotion.

Slobodan MILOŠEVIĆ:

What's Trpko like?

Momčilo PERIŠIĆ:

He's good.

Slobodan MILOŠEVIĆ:

Why would it have a negative effect – because he's a Macedonian?

Momčilo PERIŠIĆ:

Yes, that's the only reason, although I personally believe he deserves it. However, the rank and file do not view him and the likes of him with sympathy. I am talking about public opinion. Otherwise, my personal opinion is that it doesn't matter who's what, but what he is like.

Slobodan MILOŠEVIĆ:

Would he retire anyway?

Momčilo PERIŠIĆ:

He has the years of service but not the age. I propose that we promote him when he retires.

Slobodan MILOŠEVIĆ:

What's his job?

Momčilo PERIŠIĆ:

He's the Deputy Commander of the 3rd Army for Defence preparations of civilian structures in the zone of responsibility of the 3rd Army, and he's a good officer.

Slobodan MILOŠEVIĆ:

Well, promote him if he's a good officer!

Momir BULATOVIĆ:

There are two elements here: first, he's a good officer, and second, it's a way to discourage some officers who think that being a Serb is a profession.

Zoran LILIĆ:

All right, do we accept the proposal of the Chief of General Staff in full?
Do you agree? (Approval).

Momčilo PERIŠIĆ:

The Russian Federation is interested our *Galeb-IV* training aircraft so that it could get rid of a Check version they have and our plane is more sophisticated as a training plane. Since we have a surplus of these planes, we could give them the planes as compensation for other equipment.

Zoran LILIĆ:

All right, do you approve? (Approval).

Momčilo PERIŠIĆ:

Macedonia is also interested in these planes because it has the infrastructure for them. If there are no problems, we could do the same.

Momir BULATOVIĆ:

They have nowhere to fly. (Laughter).

Momčilo PERIŠIĆ:

The Army of Republika Srpska is asking for the ones which have been destroyed – in fact, its asking for them to be replaced.

Zoran LILIĆ:

We're not giving them anything – they're destroying and we're sending!

Momčilo PERIŠIĆ:

All right, we won't give them /the planes/.

Last time we discussed the possibility of giving them one of the KUB /anti-aircraft missile/ units used for the PVO /anti-aircraft defence/ protection. Since the whole commotion is over, if we are discrete and keep it a secret, we could transport one vehicle at a time, if you agree, and in line with the previous decision. We would take all necessary measures of precaution so that no one finds out.

Momir BULATOVIĆ:

The question is can they be moved without being found out?

Momčilo PERIŠIĆ:

They can. There is a closed bridge which no one is checking.

Zoran LILIĆ:

We decided to move it there.

Momčilo PERIŠIĆ:

The decision has been made, but I ask that we decide whether this is the right time to do it? It would be used solely for the defence of the FRY, rather than for their defence. But, if anything happens, they will be downing planes on their territory and no one could accuse the FRY.

Zoran LILIĆ:

All right, should we move it?

Momir BULATOVIĆ:

Slobo knows best. Is the timing right, would it be good to do it now?

Slobodan MILOŠEVIĆ:

I don't think it's the right time just yet because their level of combat readiness is still high that they are working day and night. We receive information when the AWACS let up a notch and they don't fly at the night. They are still flying at night.

Momčilo PERIŠIĆ:

We would decide on the exact time. They are photographing everything and can take night-shots of all vehicles on the territory of the FRY.

Slobodan MILOŠEVIĆ:

Except if they're not flying! I'd wait for them to stop flying. They'll lower their combat readiness because it's expensive and unnecessary.

Zoran LILIĆ:

All right, we're through with that.

We now have a request of the Reserve Army Officers.

Pavle BULATOVIĆ:

This problem has been persisting for two years already. They want regular financing from the budget. I see their request as unreasonable. I'd rather have the Chief of General Staff and the Ministry of Defence approve the financing of their activities according to the value of their work and the whole organisation financed some other way. If they are included in the financing from the budget, then we'll be getting requests from the Shooting Association, the Diving Association, the Amateur Radio Union and so on. They can all claim their work is necessary for the defence of the country, and it is undeniably so. But if we make an exception with them, we will be paving way for new problems with other organisations. However, I agree that financing of their activities be approved by the Chief of the General Staff and the Minister of Defence.

Radoje KONTIĆ:

Yes, but from the funds we give the Ministry for the budget year.

Zoran LILIĆ:

That's what Pavle thought.

Slobodan MILOŠEVIĆ:

The Alliance of Reserve Army Officers is very useful for the Army. They carry out activities although they don't have to, but they do them anyway. They rally reserve army officers, they work and care about that, etc.

Momčilo PERIŠIĆ:

Mr. President, that organisation is of special interest to the Army and the defence of society. We have adopted a stand – the Minister and I – to finance all their activities during the year from allocated funds.

Zoran LILIĆ:

They want their legal status to be resolved.

Momčilo PERIŠIĆ:

They are asking for 25 men to be employed full-time for the whole territory of Yugoslavia and these men would coordinate all activities. That means 25 more salaries to be paid.

Slobodan MILOŠEVIĆ:

I know, but we took 180 here, 200 there and 300 there for salaries and now 25 men present a problem. They are the backbone of the SRVSJ /Alliance of Reserve Army Officers of Yugoslavia/. If we don't need the army, then we don't need the reserve or the reserve army officers. This is an organisation which does not spend any funds – 25 men for the whole territory of Yugoslavia, that's not much.

Momir BULATOVIĆ:

Keep in mind the extremely high degree of sensitivity of this category of men who practically bore the biggest burden in combat; they fought on the front lines.

Slobodan MILOŠEVIĆ:

I'd approve the funds.

Zoran LILIĆ:

That's 1.2 million dinars for the whole year.

Slavko KRIVOŠIJA:

They came for a meeting and we talked to them and that's the report. They are applying everywhere. They have minor expenses: telephone maintenance and things like that.

Zoran LILIĆ:

All right, let's approve it.

Momir BULATOVIĆ:

I propose that we entrust the Minister of Defence and the Chief of the General Staff to take a flexible approach – to set this organisation apart from the others and find a flexible solution. Perhaps a professional active officer could coordinate the

expenses. The Republican organisation asked me to receive them. These men are very sensitive and deserve credit.

Zoran LILIĆ:

We should give them credit and meet them halfway.

Slavko KRIVOŠIJA:

Montenegro is giving them something, but they're not getting anything from Serbia.

Radoje KONTIĆ:

This should go through the Ministry of Defence.

Zoran LILIĆ:

All right, the Minister of Defence and the Chief of General Staff are in charge of meeting the organisation halfway.

Momir BULATOVIĆ:

I skimmed over the report about the SDPR. It can really make your blood boil. Please, let's not just be shocked about what's been going on.

Slobodan MILOŠEVIĆ:

I'll give it to the Minister of the Interior right now – the information I received just now. I'll also give it to the State Security Chief to see whether there are any grounds to have them all arrested tonight! There's not a single name here!

Momčilo PERIŠIĆ:

We have a record with all the names. I gave you this for your information only. I told you about this last time as well.

Zoran LILIĆ:

All right, prepare a full report about it.

(The session ended at 1350 hours).