

SUPREME DEFENCE COUNCIL

---

DEFENCE  
OFFICIAL SECRET  
STRICTLY CONFIDENTIAL

SHORTHAND NOTES

From the 30<sup>th</sup> session of  
THE SUPREME DEFENCE COUNCIL  
held on 9 December 1994

UNREVISED

---

BELGRADE

SHORTHAND NOTES

From the 30<sup>th</sup> session of  
THE SUPREME DEFENCE COUNCIL  
held on 9 December 1994

The session commenced at 1700 hrs.

The session was attended by: Zoran LILIĆ, the President of the Federal Republic of Yugoslavia-the Chairman 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, the Federal Prime Minister; Mirko MARJANOVIĆ, the Prime Minister of the Republic of Serbia; Milo ĐUKANOVIĆ, the Prime Minister of the Republic of Montenegro; Jovan ZEVIĆ, the Deputy Federal Prime Minister and Federal Minister of Finance; Pavle BULATOVIĆ, the Federal Minister of Defence; Colonel General Momčilo PERIŠIĆ, the Chief of the General Staff of the Yugoslav Army; Dušan VLATKOVIĆ, the Minister of Finance of the Republic of Serbia; Kruno VUKČEVIĆ, the Deputy Prime Minister of the Republic of Montenegro; Major-General Slavko KRIVOŠIJA, the Chief of the National Defence School; Colonel Slavoljub ŠUŠIĆ, the Chief of the Military Staff of the President of the SRJ /Federal Republic of Yugoslavia/.

(The shorthand notes taken by: Jordan ŽIVANOVIĆ, the Senior Debate Stenographer/Editor in the Office of the President of the SRJ).

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

Zoran LILIĆ:

I hereby open the 30<sup>th</sup> session of the Supreme Defence Council.

At the previous, 29<sup>th</sup> session, we reached the conclusion that the Federal Ministry of Defence is to draft a proposal of the tasks and the financing of the Yugoslav Army in 1995, which should be discussed at this session as Item 1.

As Item 2 we are supposed to discuss the General Staff's proposal for promotions and appointments in the Yugoslav Army.

Do you accept this Agenda?

2.

/illegible name of the speaker/:

Last time we agreed that we would not discuss the budget of the Yugoslav Army only, but the complete budgets-all three budgets as well as some of the basic elements.

Slobodan MILOŠEVIĆ:

In relation to the military budget.

Zoran LILIĆ:

Today we have the military budget on the Agenda, but we can accept this suggestion.

Momir BULATOVIĆ:

If the session is going to have two parts, since I guess we are going to discuss other business as well, I would like to ask few questions.

Zoran LILIĆ:

Absolutely-we always have that part!

Before we move onto the first item of the Agenda, I propose that we discuss and adopt the Minutes from the 29<sup>th</sup> session of the Supreme Defence Council.

Are there any objections?

Slobodan MILOŠEVIĆ:

I have no objections, since I do not read the Minutes! (Laughter.)

Zoran LILIĆ:

That is why I read them. If something was wrong, I would mention it. That means that we have adopted the Minutes from the 29<sup>th</sup> session of the Supreme Defence Council.

We will move onto the first item of the Agenda.

I give the floor to Minister BULATOVIĆ.

## 3.

Pavle BULATOVIĆ:

Messrs. Presidents, acting upon your conclusion we have, together with the General Staff, drafted this material /illegible/ delivered for this session.

We are here *a priori* talking about the budget /illegible word/ parameters and criteria adopted by the Federal Government /illegible word/ budget projection for 1995 and the preliminary calculation of the minimum requirements of the Yugoslav Army for the coming year.

I think that this has been the fourth year since we started undertaking the restrictive approach to the budget proposal. We have been proposing the budget at the level of bare survival, which means satisfying the minimum of the elementary state functions. This is to say that every budget lacks any concept of development or financing of some developmental components.

Based on the set parameters, the Yugoslav Army and the Federal Ministry of Defence have made the preliminary calculation of the minimum requirements in the amount of 2.6 billion dinars, which, according to the set criteria, exceeds the projected limits of the federal budget for 1995. We conformed to the parameters that were set by the Ministry of Finance and the Federal Government. According to these parameters, we had to include into the calculation the level of prices in the month of September and the salary base of the employees in the amount of 150 dinars. We also had to take into account the calculation of other compensations that do not have a character of a salary but rather have a character of personal income, with the base in the amount of 150 dinars and the projected monthly salary for both, the economic and the uneconomic activities, in the amount of 254 dinars.

That means that the total amount that we have on our disposal for the incomes and the salaries of the employees is 700.6 million dinars. The total amount that we have for the compensation of material expenses is 169 million dinars and the amount that we have for the other material expenditures is 913.89 million dinars.

Therefore, the total expenditures amount to one billion and 784 million dinars. I am referring to the amounts requested by the General Staff of the Yugoslav Army.

We also have to take into account money that we need to provide the transformation of the Army, which amounts to 546 million, so the total amounts to 2 billion and 330 million dinars. If we add 270 million for military pensions, we get the total of 2.61 billion dinars.

4.

The salary structure is connected to the estimate of 61,800 employees, 28,000 draftees, 18,184 conscripts in the reserve force, as well as the financing of the high school and university students, and professional training /illegible word/, which means the school population of 6,140. We also have to take into account other requirements such as /illegible word/ devices, equipment, and the real estate of the Yugoslav Army.

We have to pay attention to the structure of these /illegible rest of the sentence/. If we project 61,800 employees-which means 61,800 people on the payroll of the Yugoslav Army. The number of draftees as well as number of those who were summoned as the reserve officers and contractual soldiers is projected around 12,000. This gives as the proportion of almost less than 1:1, which has to be taken into account due to the change of the age group of the draftees, on one side, and the lack of response of the *Šiptar* /derogatory for Albanian/, Hungarian and Muslim etc., draftees, on the other side. We project the number of pensioners to be 55,200, which amounts to the total of 270 million dinars.

If we accepted the budget of one billion and 597 million dinars, that would mean that the personal income-salaries, pensions, separation allowances, meal allowances, annual leave etc, would constitute almost 73% of the budget.

Slobodan MILOŠEVIĆ:

What was the structure last year?

Pavle BULATOVIĆ:

It was lower than now-approximately 46%. The salary base has abruptly grown and according to the law, the pensions are connected with the salary increase, which caused both amounts to become higher. If we accepted the one billion and 597 million dinars variant, once we paid the salaries, the pensions and the compensations, we would have 456 million left for all other expenses. The projection for the quartermaster and medical supplies is 382 million. That means that 70 million are left for everything else.

Taking into consideration the state of the reserve supplies and everything that this country and thereby the Army faced during several previous years, the consequences of such financing for the functioning of the Yugoslav Army and its combat readiness would mean the complete isolation of all Yugoslav Army activities.

## 5.

On the other hand, that would have an adverse effect on the functioning of the designated production sector, which employs approximately 23, 000 employees since all contracts would have to be terminated and the delivery for the Yugoslav Army would have to cease.

On the other hand, all the repairs, medium, regular and overhaul ones, would be ceased and we are aware of the condition of those means.

I do not think I need to talk about all other consequences for the functioning of the Army as a whole and for the combat readiness of the units. I do not know if there is a need to present all these schemes and tables, that is to say the structure of particular allotments? However, once we decide on certain principle, the structure will be completely defined.

The requested projection and the projection that was accepted by the Government have four constants: in both variants the constants are the salary, pension and work compensation, as well as the quartermaster supply. In such variant, it is easy to distribute the remaining 456 million once all the obligations that have a character of a personal income and compensations are met.

Whether it is possible to make a radical turn, that is to say a radical decrease, in the transformation of the Yugoslav Army in current situation, bearing in mind the threat and state security level, is a matter of a decision and an assessment. However, I think that it is very difficult to decide about that in the current situation. On the other hand, it is also very difficult to ensure the functioning of the Army with such means. What are we going to have? We are going to have the Army that will be unhappy with the salaries, standards, housing etc., on one side and the limited state capacities on the other side. That is where we get into a tight corner.

That would be all. Thank you.

Milo ĐUKANOVIĆ:

What was the base salary for the Army in 1995?

6.

Pavle BULATOVIĆ

We took the base in the amount of 150 dinars, and we are not planing any increase. The law stipulates that the total earnings mass is to be provided at the level of the average earning of the Republic, by coefficients that cannot be lower than 3 or higher than 5. We used the minimum, which is 3, for the calculation and the average income is 254 dinars, for both economic and uneconomic activities.

Momčilo PERIŠIĆ:

I would give you a survey of the allocation of other countries per soldier, that is to say per head of population, so we could make a comparison and see where we stand.

Italy allocates 66, 214 dollars per soldier, the USA 151, 000 dollars, Germany 73, 369 dollars, Great Britain 139, 000 dollars, France 91, 000 dollars, Austria 31, 000 dollars, Greece 27, 000 dollars, Turkey 10, 000 dollars, Bulgaria 11, 028 dollars, Hungary 14, 000 dollars, Romania 4, 000 dollars and Yugoslavia 5, 897 dollars. This data refers to the amounts allocated per soldier in 1994.

The Armies of all ex-socialist countries or members of the Warsaw Treaty have turned into Mafia, if you would excuse me for saying that. They have turned into organised Mafia groups and you have probably seen many of their generals and colonels offering all kinds of goods from the East and selling it for next to nothing. We have managed to maintain the irreproachable Army. Our Army is not involved in organised Mafia business.

I would ask you, if it is feasible, to ensure the functioning of the Army in this situation, since the threat and the security level in SRJ has never been this high. We are asking you to provide the minimum, and the Minister told you what the minimum is. The only three things that could help decrease that minimum are the following: the first one would be to exclude the military pensions, which amount to 270 million, from the Army budget. The second would be to use the compensation of debts from the Soviet Union, in form of the reserve supplies in fuel and ammunition to decrease the budget by 50 million. If we decided not to draft 18, 000 conscripts whose upkeep would cost us 150 million for a year, but to amend the provisions of the law and to draft again eighteen-year old boys, we would save up 150 million.

7.

That means that we cannot go any lower than the minimum of 2.200 billion, without decreasing the combat readiness. For example, I would point out that the reserve supplies are so low that we must not enter the next year without restocking those reserve supplies. We would also have to take care of 30, 000 people that we have in the designated production, who would lose their jobs if they were not producing something for the Army. You can see for yourself the extent of the threat of war.

Jovan ZEBIĆ:

I think that it would be useful to give you a few general pieces of information related to the problems concerning the allocations for the military budget, and the budget for the next year, in general.

First of all, we believe that we have made a positive contribution to the stabilisation of dinar and the stabilisation of prices by the Programme that we set in this year. We also believe that these realistic dinars that the consumers got in this year are worth much more than the infinite dinars that they used to have in previous years. I am warning you about this to avoid the prejudgement of the price increase or the inflation by the budgets for the next year.

When we made the balances of the accounts, we presumed that the exchange rate for the next year would be 1 dinar for 1 mark, that there will be no price increase, that we plan no price increase, and that the realistic increase of the national product for the next year can be planned on 7% higher level than the national product achieved in this year.

If we take this approach, very pragmatic methods will emerge as to how to achieve the expenditure and how to form the budgets? Before I explain that, let me tell you that this year we will not adhere to the planned proportions and that the assemblies have verified the balance of the account that constitutes 41.16 % of the national product. In ten months we spent so much that we are going to spend as much as 50% of the national product for the whole year. This refers to the total public expenditure. We are planing that the national product for this year will be 20 billion, which is more than we have originally planned since we started with approximately 17 billion. That means that, for this year, we are going to spend half of the bigger amount, which means 10 billion.



## 8.

In this milieu, we thought that we should set some values for the next year such as: how much we can allocate for the public expenditures out of the national product formed in this manner and estimated to 21 billion and 400 million. Until now we have not reached the full agreement. I would like some standpoints to be verified here.

My first concept, as well as the first concept of the Ministry, was to freeze that at 40 %. However, we were unable to fit the expenditures into that. The current strategy of the Federal Government is to maintain that at the planned level of 41.16% for this year. That realistically means 20 % less than we would spend this year. If that would be the case, this year we can spend through the public expenditures 41.16% of 21 billion and 400 million, which amounts to 8.8 billion dinars. If we could withstand that, we would have the budget expenditure that could have a neutral effect on the developments, that is to say it would not disturb the balances of the accounts in the production and in the economy or contribute to the inflation. I am afraid that anything higher than that would give a push to the inflation and some adverse developments that have already been noted during the last quarter of this year. First of all, the adverse developments have been noted in the expenditures, the overall personal expenditures, salaries and everything that originates from that, since the pensions, the social allowances, various types of insurance and public expenditures in a state are calculated in reference to that. This issue was mentioned many times at the sessions of this body. The General used to say: "As long as they don't increase the salary, don't increase the general allocations". These two things gave such a push to each other that we were outrun by the events and we are aware that being outrun by the events not only costs a lot, but could also be very dangerous.

If we would project these 41.16% to the level of the Republics and the Federation in this year's proportion, the budget of the Federation could be formed at the overall level of 9.85% of the national product, which amounts to 2 billion and 115 million dinars.

We have heard from the Minister of Defence and the Chief of the General Staff that their expenditures are projected at a level that this budget could not withstand without causing some other disturbances or serious reallocations that should create the space for the Yugoslav Army.

9.

As for the reallocations within the balance of the account, I must say that it is impossible to carry out such reallocation in one year since the expenditures for the pensions and the health insurance in both Republics are higher. These expenditures got out of hand and cannot be sufficiently decreased in one year in order to create space for bigger share of the Yugoslav Army in the national product.

In consultations with the Republic Governments we are going to undertake certain measures in order to distribute the expenditures among the population, through contributions and participation of the national capital, property sale etc. All the aforementioned measures will be undertaken. However, that process requires time and it is impossible to make any serious cut in that part.

According to our concept, in such constellation, the Republic of Serbia would have to decrease the public expenditures to 29.2 % of the national product and the Republic of Montenegro to 2.07%. Both Republics were reserved to such belt-tightening and believe that it would be difficult to carry it out.

If we maintained the maximum percentage of 7.43 for the Yugoslav Army, which we had this year, out of our budget of 9.85%, the military budget would come down to 1 billion and 597 million dinars.

The General has just displayed a table that shows how much other countries allocate per soldier. I would ask to comment on the table once again. How much does each country allocate for the army from the national product? According to the proposal of our Ministry of Defence, that would be 12%. I think that no country in the world allocates that much to the army, even in case of great wars that is 10% or 11%.

We allocated 7.43% this year. I think that we should make sure that next year we also allocate 7.43% of the national product.

Slobodan MILOŠEVIĆ:

One billion and 597 million divided by 100 thousand equals 15, 970?

Momčilo PERIŠIĆ:

This calculation was done for the last year.

10.

Slobodan MILOŠEVIĆ:

That amounts to 10, 000 dollars.

Pavle BULATOVIĆ:

Mr. President, that would be the smallest item if you take into consideration the number of soldiers only. The price would be different if we included the reserve force, as well as if we included contractual soldiers.

Slobodan MILOŠEVIĆ:

If it is 10, 000 dollars, that would amount to 5, 000 for 200 thousand and we have 100, 000. I am taking into the account the complete force-from PERIŠIĆ to a private. That's the way to count that. They are not counting the number of soldiers either, they count the military force.

Jovan ZEBIĆ:

We hope that, as of 31.12., we are going to complete the Federation budget at the originally defined level. Therefore, one billion and 675 million compared to two billion and 115 million, is over 25% more!

Slobodan MILOŠEVIĆ:

If we have the population of 10 million, and if we divide one billion and 600 million per head of population, we have the exact same amount as the United States. Is my calculation right?

Momčilo PERIŠIĆ:

That includes one billion dollars for the Army. The budget for this year was one billion and 200 million dinars, that is to say 743 million dollars for this year.

Jovan ZEBIĆ:

This year we allocated 743 million dollars for the Army, and next year we are going to allocate one billion dollars to the Army.

Momčilo PERIŠIĆ:

The amount of 743 million was calculated for the projected income of 10 billion. It was calculated that the national product was 9 billion. That means, it is not 7.43% but 3.47%.

Radoje KONTIĆ:

No, that would be 5 billion dollars, and we are talking about dinars.

Slobodan MILOŠEVIĆ:

That means that would be the level of Turkey, Bulgaria and Hungary. It is much higher than the level of Romania and the current level of Yugoslavia. That means that is the level of Greece and below.

Momčilo PERIŠIĆ:

I would ask you to have another look at this scheme. With the current level of the salaries and the base that was used for the calculation, we have two variants: one of them is to decrease the base, otherwise the Army cannot survive. Approximately one billion goes for the salaries and the pensions, which is 70%. This year the salaries and the pensions were originally 12% of the planned budget, but then they grew and at this moment, they amount to approximately 50% of the total budget. Next year, I will go with 70%. That means that I will give everything for the salaries and I will not be able to restock the reserve supplies or provide training or anything else. That is the biggest problem. We must either decrease the salaries or increase the budget!

Jovan ZEBIĆ:

We have a realistic problem with all budgets, including the republic budgets and the military budget. The personal expenditures that were reported in December are incomparable with the average expenditures. I will not even mention the earlier months in the first half of the year, since the original salaries of 20 marks have grown to 200 marks. That is a unrealistic component that is going to derange everything unless something is stopped.

Therefore, we must not say that what we reached in December cannot be brought down and that it has to repeat itself 12 times. It can be multiplied by 12, if we multiply by 12 the production and the income that we achieved in December.

12.

None of us would dare guarantee that we are going to achieve at least the same amounts that we achieved in December, in the period from January to the next December. January, February and March are very risky months and they will subsequently cause a decrease. We still do not have such a mechanism and system that we could say that the salaries can be even lower in January because the income and the production are going to drop. Those are some of the realistic facts. The same goes for the pensions and all other budget components. We are going to freeze the material expenditures at the current level. However, we inevitably have to decrease by 20 to 25% the range of the expenditures, as well as the network and the number of those participating in it, in order for this to withstand. Those big steps require new legal regulations and consistency with this balance of the accounts, unless we want this balance of accounts to contribute to the inflation and these cuts. We are facing the involution to the higher exchange rate and the higher prices and it would be very risky, under such pressure, to assess that the things will take the same course as in December and set the production and the standard in accordance with that. The standard is higher than the national product. If we would calculate budgets based on the averages, we can withstand this but nobody will come back from work and say: "I had this much in December and my pension or salary cannot be lower than that". Our opinion is that all three budgets should be passed in December, we should freeze some amounts on approximately 41 or 40% of the national product and go into a fight. If we manage to maintain the frozen exchange rate and if everything stands still, we have protected the standard. If things get out of control, we will have to adjust to that during the year. However, it would be dangerous to participate in that and, as a state, lead the game and add some weight to this scale that is very unstable.

Slobodan MILOŠEVIĆ:

To ignite the inflation?

Jovan ZEBIĆ:

Yes, that is dangerous, and I would not advise that to be done at all.

Slobodan MILOŠEVIĆ:

I think that, as a start, we could accept those two constants that ZEBIĆ proposed.

13.

The first one is to pass the budgets in December and the second one is to freeze the amounts in December. That is aimed at a stabile budget.

We are now left with the third question: the participation in the national product. Our firm standpoint is that the budget participates in the national product with 40%. If we exceed that, we would jeopardise the Programme.

I propose to have this as the third line, in political terms, as Momo likes to say.

I am in favour of accommodating the requirements of the Army as much as we can. We have two options: the first one is a pragmatic "little by little" option and the second one is a radical option. As a part of this pragmatic "little by little" option, we should check what is the maximum that we can allocate to the Army from the national product, 40% of which is designated for the budget expenditures.

As a part of the radical option, I propose to immediately notify our dear associates from the Army that we will decide that the budget is going to be 2.5 billion, under one condition - that they persuade their friends, headed by Ratko MLADIĆ, to sign the peace agreement immediately. The sanctions against us would be lifted and there would be no problem for the Army to have the budget of 3 billion in the next year. Go ahead, persuade MLADIĆ and his Staff that the war has to be brought to an end and the sanctions have to be lifted and I would immediately sign the budget for the next year in the amount of 3 billion since the national product will be increased! Then you can spend it on salaries, combat readiness or whatever you like! However, we must be realistic.

Therefore, the radical option involves the peace and the lifting of the sanctions. It is within your competency whether that is going to happen. We have a very restrictive option, due to the current situation over there!

Momir BULATOVIĆ:

Slobo, I did not hear what you mentioned as the other option?

Slobodan MILOŠEVIĆ:

The other option is to freeze the amounts and to pass the budgets in December. If we do not freeze the amounts, we are becoming a candidate for the major danger for the economic programme and a galloping inflation. I think we should stick to the logic that he outlined.

14.

Zoran LILIĆ:

Please note that ZEBIĆ mentioned 41.16% and President MILOŠEVIĆ mentioned 40%.

Slobodan MILOŠEVIĆ:

We must be realistic like ZEBIĆ. He assumes that this is going to change in case of some inflation change. We must make the same assumption. These are the minimal amounts under the conditions and presumptions set forth by ZEBIĆ. If we assume that, we have no other way out!

Momčilo PERIŠIĆ:

Mr. President, I fully understand the reality. The Army made the maximum of human efforts to support the plan. We did support the plan by our deeds, rather than by our words. The reserve supplies are used up. If there is no other way out and if we must adhere to the proposal of the Federal Government, which is one billion and 597 million dinars, then I would ask for the following privileges:

First, do not burden the military budget with the pensions and the expenses of the Ministry, since the Ministry is a component of the Government and not the Army;

Second, finance the Army in accordance to the Law that stipulates drafting of the reserve officers instead of the draftees. That is not covered by the budget;

Third, exempt us from the obligation to give a part of the oil products obtained by special negotiations to the Republic of Serbia and allow us to negotiate directly. That way we would save more than 20 million;

Fourth, compensate us for treating the casualties from the Republika Srpska. The VMA /Military Medical Academy/ is currently treating 90 casualties from the Republika Srpska. Why would the Army bear the brunt of their treatment from the military budget?

There are many other issues and I would ask you to relieve the Army of that burden. All the time we have been talking about the budget for the Army, but the Yugoslav Army does not include everything that was presented here.

15.

You said that this brings us on equal footing with Turkey. However, we have such reserves that the level of the threat of war would be much higher than it would normally be, due to their twisted policies, if our integrity would be threatened. That is possible since I cannot make the soldiers believe something as long as you politicians do not make the politicians believe that.

Slobodan MILOŠEVIĆ:

Yes Momo, but the Army fights the war!

Momčilo PERIŠIĆ:

Mr. President, if you, together with all of us, managed to persuade them to accept the peace, I would sign the budget of 2.5 billion since the level of the threat of war would be lower.

Slobodan MILOŠEVIĆ:

But we must equip the Army, that is not disputable. You can ask for 2.5 billion as soon as you persuade MLADIĆ to accept the peace plan.

Momčilo PERIŠIĆ:

I am a general and why should I be the one to persuade MLADIĆ to do that? It is easier for four of you Presidents to persuade another President! I do not support that war any more than you do.

Slobodan MILOŠEVIĆ:

You can discuss this for as long as you want, but the state of the affairs is just as ZEBIĆ told you!

Momir BULATOVIĆ:



The calculations that were made look terrifying. But, I would like to remind you that these calculations were made assuming that the base is 150 dinars. If Jovo ZEBIĆ's predictions would come through, the personal income increase would be quite unnecessary.

16.

Slobodan MILOŠEVIĆ:

Yes, if we would freeze the amounts. He assumes that the exchange rate would be stable as well as the prices and everything else.

Momir BULATOVIĆ:

In that case, this image of the internal reallocation of assets within the military budget is less dramatic.

I agree that we should pass the budgets by the end of this year. Of course, we are still facing the political problem since it is not easy to pass the budgets. Besides the purely economical reasons, that additionally restrains us from making any bigger step towards the increase of the assets volume, because all our oppositions would jointly jump at a chance to accuse us of giving the initial impulse to the adverse developments, which is exactly what we fear.

That means that we must freeze the amounts within the budget. Anyhow, the budget can be passed only with frozen amounts.

If it is true that we finance the budgets from the realistic sources only, adhering to this Programme, and pay attention to limitation of salaries of the budget users, we have brought all our budget users to a lower edge of poverty. The poorest people today are the employees of the state organs, including ourselves. The Director of "Budva Riviera" earns 1, 700 dinars, which is more than three top officials earn in Montenegro. In that case we should take a close look at one thing.

I would like to hear the economical reasons that would persuade us that the upper limit of the participation of the public expenditures in the national product is 40%. Slobodan, I accept your firm determination, but I would like to be explained the statement that "everything that exceeds 40% jeopardises the Programme".

Slobodan MILOŠEVIĆ:

We would “strangle” the economy.

Momir BULATOVIĆ:

Let us analyse it this way: we had relatively favourable economic developments and the increase of the national product when the participation of the public expenditures in the national product objectively went up to 50%.

17.

I accept that the ideal situation would occur when we would be able to decrease it even further and make it 35% instead of 40%. However, if you take the structure of the expenditures in the budget, that would objectively mean taking from those who are already poor.

Slobodan MILOŠEVIĆ:

In order to reduce the poverty!

Momir BULATOVIĆ:

All right, but you are going to shift the burden from one item of the budget to another one. You are guarantying some social security. On the other hand, it is a big question whether we should make such a radical cut in this situation since we have already endured stronger blows caused by the sanctions and come closer to their end. On the other hand, do we need such a big destabilisation?

I would like you to asses those values and arguments since I believe that, if we would objectively decrease the participation of the public expenditures from 51% to, let us say, 45%, we would have enough arguments to prove that the public expenditures are decreased in a relative amount, which further stimulates economic activities. We would also rid ourselves of many problems originating from the inability to pay social functions and salaries at such a low level, as it is currently the case with our budget users.

There is an “anchor” here. That “anchor” is the fact that we can distribute only the assets that we get from the realistic sources. I agree with Jovo, when he said that there is a danger that the state could start grabbing and taking, which is a threat to the economy. That is absolutely correct! However, on the other hand, I think that we are

practically taking less than we used to, because we are decreasing the participation in the national product from 50% to 45%. On the other hand we are lessening our problems caused by cool-headed analysis of the items one-by-one.

If every other dinar that circulated through the budget of Montenegro is some kind of personal expenditure, you could hardly agree with the option to decrease all the budgets by 20% by the proposal of 41.16% in the nominal amount. We are in the situation when we are exposed to horrible pressures to increase the current salary level.

18.

Slobodan MILOŠEVIĆ:

We have no other way to force the budget users to downsize the apparatus.

Momir BULATOVIĆ:

A saving that you would make on that item, is a minor one if you compare it to the allocations for the education, health services, etc. I agree that there is a space for increased contributions etc. It is easier for us in Montenegro to show that on a small sample. Then you could say that children or pensioners over 65 years of age are obliged to pay contributions for the health services and due to a relatively insecure economic effect, we are going to cause social disturbance at our place.

I think that we should analyse the proposal and objectively decide on the salary restrictions or a minimal correction of salaries in the budget expenditures.

Slobodan MILOŠEVIĆ:

Our Programme is going to fail unless we eliminate the automatism related to the salaries. The only smart thing we did last year was to freeze the salaries. Otherwise, with all the criticism from the budget users, there would have been a stampede and the Programme would have failed. We are going to ruin the Programme completely, unless we eliminate the automatism related to the salaries and switch over to making decisions on salaries in a discretionary manner. This does not concern the budget.

Momir BULATOVIĆ:

What about the problem that General PERIŠIĆ has been forcing on us with all reason? General PERIŠIĆ has not been making comparison from the point of view of the man who, together with Minister BULATOVIĆ defends the interest of the Yugoslav Army, with the salaries of the budget users but with the general level of expenditures and salaries in SRJ. We have to face the result of the fact that the salaries of the budget users are behind the schedule. I think that, without major consequences for the economic programme, we must simultaneously implement the system that will effect the “milk skimming” by the tax mechanisms.

19.

Slobodan MILOŠEVIĆ:

Momo, you will agree that the key to the stabilisation of the dinar is the elimination of any budget deficit.

Momir BULATOVIĆ:

Great! That goes without saying!

Slobodan MILOŠEVIĆ:

We are not going to stabilise the dinar as long as we have a budget deficit!

Momir BULATOVIĆ:

I agree. However, the question is whether we can withstand a nominal /illegible word/ decrease of 20%. I think that we have no such manoeuvre space.

Slobodan MILOŠEVIĆ:

We do not have a way out! That is very painful, but that is the state of affairs. The other option is to release the inflation. Then the budgets, the pension funds, the health services and the social issues will emerge as the users of loans from the primary emission at the National Bank of Yugoslavia, and then we will re-ignite the inflation fire and the spiral would go too far.

Momir BULATOVIĆ:

Either we do not understand each other or I misunderstood something? The "anchor" is the fact that the budgets are formed from the realistic sources only.

Slobodan MILOŠEVIĆ:

Few days ago we quarrelled with AVRAMOVIĆ. He proposed 125 dinars, etc. Miki and I talked about that and realised that that will not do. If the union, the television and so on say so, then it is all right. The budget filling is the restricting factor. We are going to accept that if it /illegible word/ the budget filling. If the budget filling /illegible word/, the budget funds filling is the restricting factor. /illegible text/ extent to which the budget funds are being filled, that goal will be realised. And the job will be done! There is a principle above that principle-there is no budget deficit!

20.

Momir BULATOVIĆ:

However, we do not understand each other! There are two cups. You said that we are going to pour 40% of the national product for the public expenditures into a smaller cup and we are going to face serious problems. Can we pour 45% of the national product into the cup, with this top principle above that?

Slobodan MILOŠEVIĆ:

Montenegro, Serbia and the Federation have already terribly exceeded the budgets this year.

Radoje KONTIĆ:

The Federation has not exceeded the budget!

Slobodan MILOŠEVIĆ:

No, you all have exceeded it, but the security is all right!

Radoje KONTIĆ:

We have not exceeded the budget!

Slobodan MILOŠEVIĆ:

The security is /illegible word/, but the planned budgets have been exceeded.

Radoje KONTIĆ:

We have not exceeded it, boss! The Federation has not exceeded the budget at all!

Slobodan MILOŠEVIĆ:

ZEBIĆ can give you the data showing that Miki MARJANOVIĆ alone has exceeded the budget for 2 billion! As well as VLATKOVIĆ!

Dušan VLATKOVIĆ:

I have not exceeded the budget, the pensioners have!

21.

Slobodan MILOŠEVIĆ:

All right, the pensioners have!

Zoran LILIĆ:

Raja said that he has not exceeded the budget at all!?

Radoje KONTIĆ:

No, we have not exceeded it at all, we would not allow that!

Milo DJUKANOVIĆ:

That is merely the matter of the reallocation. I agree that, as Jova ZEBIĆ said, it is not enough to cover the budget from the realistic sources. We must also avoid making the reallocation at the expense of the economy. However, at the same time, there is the question whether it is all right to expect the decrease of 20 % during the year? Yes it is, for God's sake folks! It is all right if we have to express the frozen state expenditures and if the economy is not functioning. If we decrease the participation of the public expenditures by 10%, we would make a miracle in a year! Therefore, the participation of the public expenditures in the national product is a premium. I would be very happy if we maintained that! We have to stick to the realistic calculations. Let us see what 40% means for us. The public expenditure of 40%, which throws off 445 million for Montenegro according to the calculation that

we made, means 225 million for the budget with the current annual salary of 90 dinars, which means 97.13%!

Radoje KONTIĆ:

/Illegible nick name/ is right. You are making the reallocation. If you give more to somebody, you have to give even more to somebody else and you always have to do that from the realistic sources. Therefore, that is merely the matter of the inflation, the matter of reallocation.

Momir BULATOVIĆ:

If our economy would be an ideal one, we could count on directing the relaxation of the state budget towards the production investments and the development.

22.

However, the opposite is going to happen /illegible word/ in our economy /illegible text/ the obligations towards the State turns into personal expenditures. We are going to have increased differences between the salaries in the economic and uneconomic sector and we are going to tie our own hands and we will not be able to do anything in the nominal amount. If we tie our own hands with 40%, we will not be able to pay our obligations with the budget that we are going to fill 100%, and we must not exceed it even for a one half of percent.

Slobodan MILOŠEVIĆ:

Momo, I propose you the following: if we allocated the share of 7.5% of the national product to the Army, everything else would be a mere record keeping. The only thing that we have to decide on is the question whether we should allocate 7.5% of the national product to the Army. That is the only question! Bookkeepers can deal with everything else!

Momir BULATOVIĆ:

Yes but today is 9 December. We have to solve those issues if we want to pass the budgets in December.

Slobodan MILOŠEVIĆ:

That is the matter of quantification. What are we planning? What national product are we planning, how much is that in dinars, by items, etc. However, are we able to allocate 7.5% of the national product to the Army? That is the only question.

Zoran LILIĆ:

That is the upper limit of our abilities.

Slobodan MILOŠEVIĆ:

If there was peace and if they lifted sanctions, those 7.5% would amount to 3 billion.

Momir BULATOVIĆ:

There is another decision that we have to make. What is the public expenditure that we are going to plan within the national product, since it implies the entirety?

23.

Slobodan MILOŠEVIĆ:

That is 40%. We have been analysing it for several days. If we increase the structure of the participation of the public expenditures in the national product, we are going to choke the economy. As a matter of fact, it is going to turn out to be a counterproductive option since it will reduce our economic activity. The question is how to avoid the reducing of the economic activity due to the discouraging effect of the participation of the major expenditure in the national product?

Momir BULATOVIĆ:

Slobodan, it is very clear that it is going to spill over to salaries.

Slobodan MILOŠEVIĆ:

That is why we need a strict discipline concerning the salaries and strict agreements between the federal and republic budgets in order to keep the salaries under a strict control, at least in reference to the budget users.

Momir BULATOVIĆ:



If you take them to be 40%, you have them under control. That would be 20% less than we paid them in December.

Slobodan MILOŠEVIĆ:

To be honest, I would prefer maintaining that level than to have salaries go down to 2 marks again. Therefore, if this situation means the stability of the dinar, according to our calculations we are using less than 50% of our capacities to achieve our current economic effectiveness. Since the structure of our products used to be related to the export and since we currently do not have an appropriate export, the question is what is the percentage of the use of our capacities that the /illegible word/ market can take. That might be some ten more percents. For example, we could come out with /illegible text/ and that is the end, as long as they do not give us the possibility to do some serious trading. There is no other way!

There is no point in our trying to convince each other. The question is to convince each other whether we are going to respect the facts or not? Is there a half litre of water in this bottle or not? I would not do any good if I said that there was one and a half litre of water in this bottle only because I wanted it to be more.

24.

Momir BULATOVIĆ:

That is still not good enough reason to have those 40%.

Slobodan MILOŠEVIĆ:

I think that our friends who are dealing with that should elaborate on that thoroughly and provide us with an explanation. However, our assessment is that we would make an adverse effect on the growth of the economic activities if we exceeded 40% of the national product. We would make a discouraging influence on the growth of economic activities. The reason for that is not the lack of our desire to succeed, but our desire to create more. That is the only approach.

However, I am afraid that we have exceeded the limits of the discussion on the military budget. We are discussing some important premises of the next year's economic policy although we should not bother with that PERIŠIĆ, BULATOVIĆ and other people that are dealing with Army issues.

I think that, by the end of the next week, all of us present here should sit down to talk to AVRAMOVIĆ, who is currently visiting a doctor in Switzerland. We should

discuss the main elements of the next year's economic policy and get that straight. That is our way out. As for the 7.5% participation of the Army in the national product, I would like to tell you that there were times when that participation was as low as 4.2% in Yugoslavia. I remember KADIJEVIĆ's explanations that it is not actually 4.2% but 3.7% that is being realised and his request to give them 4.2%. Now that percentage is as high as 7.5%! Believe me that I would like us to have the most powerful Army in the world! However, as an economist, I am aware that we cannot allocate more than 7.5% for the military budget. If they lift the sanctions that are imposed against us that would amount to 3 billion and not 1.6 billion. I can guarantee that the military budget is going to be 3 billion if the war in Bosnia comes to an end.

Zoran LILIĆ:

In that case, it is good that we are discussing the percentage and not the amount.

Slobodan MILOŠEVIĆ:

Let PERIŠIĆ go there with the Special Unit and arrest those who want to continue the war and he will have the budget of 3 billion!

25

Momčilo PERIŠIĆ:

I can contribute with the special unit some 200-300 million to the budget, without going there! (Laughter)

I can take from TUĐMAN, KARADŽIĆ, "a la KARADŽIĆ"! /sic/

Slobodan MILOŠEVIĆ:

You do not get famous taking it from TUĐMAN!

Milo ĐUKANOVIĆ:

If we are discussing the general suppositions, I would like to participate in the discussion. But if we are talking only about the military budget, then I give up the discussion!

Zoran LILIĆ:

We are discussing the military budget only.

Milo ĐUKANOVIĆ:

Then I give up the discussion. For I am not qualified to talk about it.

Radoje KONTIĆ:

The military budget includes some other elements too. It is not possible just to quantify it as the national product. We have to decide on a level of the national product as well, and on a development. We have to opt for the participation of the republic budgets that is to say the consolidated budget at the level of Yugoslavia, and so on. /sic/

Slobodan MILOŠEVIĆ:

I was listening to General PERIŠIĆ very attentively. If we, for example, take 300 million dollars from Russians, he can reduce the military budget in this sense by mere 50 million. For, that is the ammunition that has been planned in the budget anyway. If it is the other thing, right – to enhance the combat readiness – then that was not planned for the budget anyway. Thus, we can settle accounts with their 300 million – our balance – and they would deliver to us all /word illegible/ things, and we will reduce the military budget by 50 million, I mean, the budget that we anticipate.

26

Momir BULATOVIĆ:

In reference to Rajo's question, I would like to note that this calculation of 7.5% cannot be made based on this national product of 21.3 billion, bearing in mind the assumption of 150 dinars.

Zoran LILIĆ:

I do not think it is necessary.

Momir BULATOVIĆ:

You have to write it down!

Radoje KONTIĆ:

It has to be written because the budget is a fixed item.

Slobodan MILOŠEVIĆ:

There is a budget revision!

Radoje KONTIĆ:

That is another thing. It can be changed by the budget revision but it is not changed parallel with the inflation. I would not be willing to explain to the Assembly that we are going to go for 150 dinars.

Radoje KONTIĆ:

We have to say that.

Slobodan MILOŠEVIĆ:

We do not have to say that at all.

Radoje KONTIĆ:

Then our budget will not be passed.

Slobodan MILOŠEVIĆ:

Could you please tell me what is the percentage of participation in the national product that has been realised this year?

Zoran LILIĆ:

When talking about the Army, it is /illegible/.

27

Radoje KONTIĆ:

That is not right. They will get what belongs to them! We will not reduce their share at all! They will get what they have been planned to get till the end of the year.

As for the salaries, I think that we would have to make a turn this year, a very significant turn!

Dušan VLATKOVIĆ:

As for the military budget, it is impossible for us to consider it only within the relations of pure budgets and to keep the ratios of percentages. For, our share of social

contributions in the budget is 35%, while in the federal one it is maybe 5%. That part of the ratios is completely distorted then. We need to reduce the expenditure by 20% to 30% in order for us to fit into these ratios, while the federal one is on 25% increase. We have the police, you have the Army – they are all ours!

Thus, we have to see whether we are entering our budget with a 100-dinar basis – while these people are setting 150; let us take a 208-dinar basis for pensions. That has to be levelled.

Zoran LILIĆ:

I think that we need to make an agreement about the percentage of participation of the military budget in the national product.

Slobodan MILOŠEVIĆ:

We should go with the percentage of 7.5%?

Zoran LILIĆ:

So, we have agreed that the participation of the military budget in the national product cannot be more than 7.5%. Shall we reach such a conclusion?

Do you agree with that?

Slobodan MILOŠEVIĆ:

I think it is going to resolve this thing very well.

Zoran LILIĆ:

So, the participation of the military budget in the national product should be 7.5% and the budgets should be adopted by the end of the year.

Slobodan MILOŠEVIĆ:

I am asking VLATKOVIĆ and MARJANOVIĆ: Can we agree that the military budget should be 7.5% of the national product, and that we do not get into discussion about details?

Mirko MARJANOVIĆ:

Yes. We were planing to make some 20.4 billion. The first, the second and the third month within the first quarter are approximately like the average of the whole year. The fourth quarter is an all-time high. It is even higher than two quarters.

Momir, I think that 7.5% is a good suggestion. We should not go with a lower percentage.

Slobodan MILOŠEVIĆ:

I am suggesting to them not to go with the projections of inflationary salaries. This mass assures the increase of salaries. They are what they are now. The current Increase is 20%. And it goes on. If there are some improvements, they have space to go with the improvements, but I would not make detailed outlines of the military budget in advance.

Mirko MARJANOVIĆ:

What is changed on 31.12? The only thing that is changed is the New Year's ceremony, but everything remains the same in the economy throughout the world. Life goes on. I am talking from the standpoint of Serbia's materialising in the 10<sup>th</sup>, 11<sup>th</sup> /several words illegible/ We got afraid of everything. The best thing we /several words illegible/ in the covering of the budget. I think that neither the Federal Government nor we had difficulties in realistic sources, except for some cases regarding the pensions, where we were borrowing and then we were paying back. We calculated that we needed 3 billion just for the pensions and these other things. That is absurd, and it is not going to be like that. The movement of sources and the filling of the budget will be somewhat different. That is why I think that we need to be a little bit more courageous in that.

Otherwise, we are not going to change anything in our programme orientations. We are going to stick firmly to them!

I would like us – when Avram arrives – to take a look at the public budgetary expenditures, with funds and without them – the ones for the pensions.

Otherwise, I agree that we must not yield at all in terms of some elements from the Programme. We must not think about that at all!

Radoje KONTIĆ:

I think that we would need to do some kind of reallocation— from salaries to material expenditures in the Army.

Slobodan MILOŠEVIĆ:

Do not go into details concerning the budget. I think that we are going to see by quarters at what speed this should be done. Do you think that they will have 150 dinars starting right on 1 January? No, they won't! On 1 January their salaries will be the same as earlier, with a slight rise. They got 20% just now. Then how come that the basis will be 150 dinars?

Zoran LILIĆ:

The budget is 7.5% of the national product, and that's it!

Radoje KONTIĆ:

The Assembly is going to ask for it to be itemised. For they say that they are the supreme power; and who are you?

Zoran LILIĆ:

They are the legislative power.

/illegible/:

The budget is a law as well!

Radoje KONTIĆ:

We do not have a majority in the Council of Citizens, and we do have it in the Council of Republics.

Slobodan MILOŠEVIĆ:

We do, we do have the majority!

30

Zoran LILIĆ:

So, we have adopted one conclusion: 7.5% of the national product goes to the military budget.

Momčilo PERIŠIĆ:

It is understood by this that there is going to be a budget revision after each quarter.

Slobodan MILOŠEVIĆ:

There are no problems in that. Momo, you have a lot of space for the salary increase.

Momčilo PERIŠIĆ:

Mr. President, that is exactly what I am trying to do – to have the salaries as low as possible, so that I have as much funds as possible for other things. That is the essence. But the salary should be in line with the salaries in other structures. That is the only thing that is important, nothing else!

Slobodan MILOŠEVIĆ:

We will have to curb the salaries in the economy.

Jovan ZEBIĆ:

President, although this is not a topic, I would like that a conclusion be adopted that the salaries should be regulated. Otherwise, we cannot do anything without regulating the salaries.

Slobodan MILOŠEVIĆ:

An automatism will destroy us.

Zoran LILIĆ:

Here, you have a suggestion from the Supreme Defence Council to do that.

Slobodan MILOŠEVIĆ:

I talked with AVRAMOVIĆ. He absolutely shares that approach – an automatism in salaries is simply a killer. We have to move from the principle of automatism to the principle of discretionary determination of salaries.

Milo ĐUKANOVIĆ:



The Governor and the National Bank have ruined this with their talk about the policy of salaries!

Slobodan MILOŠEVIĆ:

Knows /sic/ how to praise that guy from the “Soko-Štark” /name of company/. The average salary in their factory over there is 1.000 dinars. And their chocolate is twice as expensive as the Swiss chocolate. And he gets cheap gas, cheap labour force, cheap electricity, and so on!

Momir BULATOVIĆ:

I have a suggestion to make regarding the military budget. Since that budget will go to the Assembly for adoption, I would suggest the following:

The same items should be kept in the military budget like last year. For, the opposition keep comparing one item with another. Thus, we should keep the same items and just change the numerical figures. If we reduce it now, we will go with a narrower version, and a discussion will arise. And if we go with the reallocation, we will open a discussion again – why are you now allocating for ammunition more than for this or for that!

Momčilo PERIŠIĆ:

Here you can see the participation in 1994 in percentages; and this is a proposal for 1995 in percentages. It would be 25 here, and 26% here. Everything is parallel here – 1994 and 1995 – both the percentages and the total amount. It is one billion and 276 million here, and it is two billion here, and so on.

Momir BULATOVIĆ:

If the military budget is increasing from one billion and 300 million to one billion and 500 million, then you reallocate it to these positions.

Slobodan MILOŠEVIĆ:

Momo, that is a good methodology of yours, a suggestion of Jovan ZEBIĆ's.

Zoran LILIĆ:

With this suggestion of Momir's I would conclude the first item of the Agenda.

(At 1830 hrs Mirko /illegible/, Milo ĐUKANOVIĆ, Jovan ZEBIĆ, Dušan VLATKOVIĆ and Kruno /illegible/ left the session.)

We are moving to the second item of the Agenda.

#### PROPOSALS FOR PERSONNEL SOLUTIONS AND APPOINTMENTS

Momo, go ahead, please!

Momčilo PERIŠIĆ:

/several words illegible/ of generals two times: the first time on the Day of /illegible/, and the second time at the end of the year.

There is a total of 93 generals here. We have 40 of those who are on their duties, and there are 44 of those who are out of duty. There is a total of 60, which is two thirds. One third will never get to be promoted, that is, they will not be in preparations for generals, and promotions will take place with retirement.

Now we are coming to what we concluded the first time when we established the policy of generals in service. Bearing that in mind, I am making specific suggestions:

We are proposing the following persons to be regularly promoted into the rank of Lieutenant General because they have met all the criteria: Risto MATOVIĆ – you have a list of information about him, and Borislav ĐURIĆ. If you are interested, I can tell you everything about them. This is a regular promotion into the rank of Lieutenant General on the basis of their meeting the criteria.

Extraordinarily, the following persons are proposed to be promoted into the rank of Lieutenant General: Nedeljko ČOPIĆ, Ratomir MILOVANOVIĆ – both of whom /illegible/ for Staff Affairs, the latter for Logistics; and /?Dragoljub/ OJDANIĆ, the Commander of the 1<sup>st</sup> Army, in order for him to be at the same level with other commanders of the armies and that the subordinate structures do not have /illegible/.

Extraordinarily, prior to the termination /illegible/ RAKIĆ who, completely innocent, retires /illegible/ the job correctly and honestly. However, you know how

the pensioners feel. I believe that he should be promoted to the rank of Lieutenant General.

Slobodan MILOŠEVIĆ:

He has left completely guilty, for he was with those people over there.

Momčilo PERIŠIĆ:

Only because of that.

We have 16 officers to be regularly promoted into the rank of Major General. The reason for such a high number is the fact that we were behind the schedule, and we are now making up for the fact that a lot of people have retired. However, unlike the previous structure, we have decreased by 50% the number of generals in the Yugoslav Army. They are:

Ljubomir ANDELKOVIĆ, the Chief of the Communications Department of the Yugoslav Army; Konstantin ARSENOVIĆ, the Chief of the Operations and Logistics Department; Slavko BIGA, the Commander of the Anti-Aircraft Defence Corps; Blagoje GRAHOVAC, the Commander of the Airforce Corps; Ljubomir DRAGANJAC, the Assistant Commander for Logistics in the 2<sup>nd</sup> Army; Mihailo ŽUGIĆ, the Chief of /illegible/ Department, Yugoslav KODŽOPELJIĆ, the Chief of the Technical Service; /illegible/ KRSTIĆ, the Commander of the Novi Sad Corps; Vlade NOVKOVIĆ, the Chief of the Navy Department; Vuk OBRADOVIĆ, the Director of the Military Service of NBJ /expansion unknown/; Milan /??ADOVIĆ/, the Commander of the Navy Fleet; Spasoje SMILJANIĆ, the Chief of the Operations Unit in the Command of RV i PVO /Airforce and Anti-Aircraft Defence/ – this was the one who commented on the exercise in Čenta.

Then, Živomir SMILJKOVIĆ, the Chief of the Infantry Department. At the same time – you will see it later on – we are proposing him to be the Commander of the Kragujevac Corps. Then, Zlatoje TERZIĆ, the Chief of Staff of the Novi Sad Corps; and Radovan TOMANOVIĆ, the Assistant Commander for Logistics in the Navy.

Then, there are more of them who should be promoted within the regular procedure prior to the end of their service. I do not include them in the total figure, for they need to go to retirement. They are colonels: Uroš GRGIĆ, who has been the Chief of the Intelligence Department so far, going to retirement now, and he has met all the conditions; then Slave STOJANOVSKI, a Macedonian, who has been really

good, but we do not have possibilities to appoint him, and people like him are less and less accepted; since he has been good, it would be good if we promote him and send him to retirement.

34

And, as an extraordinary procedure – and I am making an exception here – Rajko BALAC, posthumously. This is because his family need to resolve their status.

Slobodan MILOŠEVIĆ:

But this should not be announced.

Momčilo PERIŠIĆ:

We will not announce it. I even suggest that we do not announce all of them, but to announce only these more important promotions and to say: “Apart from these, others have been promoted as well.”

Appointments. Based on decrees, the following appointments should be made. Colonel Živomir SMILJKOVIĆ should be appointed the Commander of the Kragujevac Corps. Colonel ANTONIĆ, who has been an acting officer on that duty, has not had enough time in service. He will remain in the position of the Chief of Staff, and he attends training at the moment. He is from the south of Serbia, from Kruševac area. He was born in 1943 in Odžaci near Trstenik. He is a Serb. He has held the following positions: a commander of an infantry regiment for five years, a commander of a mechanised brigade for three years, the Chief of a Group of Commanding Officers in the 1<sup>st</sup> Department for four months, a supervisor in the Department for two years, the Chief of the Operations Department for one year, and a chief of an infantry section for four months. He completed all military schools with “B” average mark.

Next, we are proposing that Jovan MILANOVIĆ, my Chief of Cabinet so far, whom you have appointed the military attaché in Brussels, should be appointed to a position in our Embassy, where everything takes place.

Then, Ljubodrag STOJADINOVIĆ, the Chief of the Information Department; Svetislav RISTIĆ, the Chief of the Legal Department; Branimir MILOVANOVIĆ, the Assistant Chief for Counter-Intelligence; Momčilo MOMČILOVIĆ, the Commander of the Timok Division; Nikola GRUJIN, the Chief of Staff of the PVO Corps; Veroljub ŠUJDOVIĆ, the Deputy Chief of the 1<sup>st</sup> Department; and Živorad VUJČIĆ,

the Chief of Department for Planning, Finances and Development of the Yugoslav Army.

These would be the proposals.

Zoran LILIĆ:

All right. Who wants to have the floor?

Pavle BULATOVIĆ has the floor.

35

Pavle BULATOVIĆ:

I was going to make a proposal – although I submitted such proposal in writing to the Chief of the General Staff – that Colonel Radovan ANĐELKOVIĆ, the Chief of Inspection in the Ministry, should be promoted in an extraordinary procedure into the rank of Major General. I am sorry because the written explanation has not been distributed. From the moment of taking over the duty of the Chief of this Inspection, ANĐELKOVIĆ has obtained from SDPR /expansion unknown/ and from this Board Office 28 million and 200 thousand dollars for the Army. And the SDPR has admitted that it did make that damage to the Yugoslav Army.

Zoran LILIĆ:

The damage is much more than that, but they admitted 28 million!

Pavle BULATOVIĆ:

We will have a dispute over another 11 million or so. He obtained 400 thousand from other suppliers as well.

Considering his correctness and the professionalism he demonstrates in work, as well as the fact that he is experiencing some inconveniences caused by some generals from this list for promotion, I believe that he completely deserves to be promoted into the rank of Major General.

Zoran LILIĆ:

I do not have anything against it.

Momčilo PERIŠIĆ:

I fully agree with the Minister. We did not make that proposal for only one reason – he does not meet the criteria for promotion. But since he accomplished an extraordinary deed, that is, he managed to get the compensation of the damages, I think that this would be good. He does not have a general's post over there, but he can be promoted in an extraordinary procedure. That would have a very positive influence on the overall situation in the Army.

Zoran LILIĆ:

We have heard the proposal of Minister BULATOVIĆ and the explanation of General PERIŠIĆ.

Do you agree with this proposal? (Approval)

36

Pavle BULATOVIĆ:

Mr. President, I would like to draw your attention to the fact that a criminal report was filed in late January this year against Borislav ĐURIĆ, the Chief of the Quartermaster Department. Based on that report, the military prosecutor took certain actions and all investigative measures have not been completed yet.

I am afraid that it will have a negative effect on the regular promotion if this is accepted.

Momčilo PERIŠIĆ:

That is true. If you remember, it had to do with the supply of pork meat from Rumania. But Borislav ĐURIĆ was supposed to be promoted at this time last year. He has not been promoted so far because the prosecutor has been conducting the investigation. But I consulted him now, for I would not propose such a person for promotion. I do not have anything against it that we do not promote him even now. Actually, the prosecutor did not initiate a criminal procedure against him and there is no evidence. I think we would do him wrong if we do not promote him. However, personally, I do not think that we would lose anything if we do not promote him.

Zoran LILIĆ:

Maybe we should wait with it a little bit.

Slobodan MILOŠEVIĆ:

If you think so, then there is no reason for us not to accept it.

Momčilo PERIŠIĆ:

It has been dragging for a year now, and the criminal report has not been initiated against him, so I have included him because he meets the conditions. But since he is under a suspicion, it can be left like this, too.

Zoran LILIĆ:

You do not have anything against it if we do not promote him?

37

Momčilo PERIŠIĆ:

I do not have anything against it.

Momir BULATOVIĆ:

It is the practice that the prosecutor, after certain time, makes a decision whether he pursues the criminal report or he rejects it. I think that we can decide about this only when we know the position of the prosecutor.

Zoran LILIĆ:

All right. Are there any more proposals?

Slobodan MILOŠEVIĆ:

I have a proposal. Momo, I think that you should promote Boro IVANOVIĆ, since you have assigned him to a position with a formational rank of Lieutenant General. He is a warrior, he has been a corps commander, we have clarified his issue, and there is no need for you to "keep having that backlog" any longer. You should include him in this list!

Momčilo PERIŠIĆ:

That would not be good, Mr. President!

Slobodan MILOŠEVIĆ:

Why would that not be good?

Momčilo PERIŠIĆ:

It would not be good for a number of reasons. It would be negative. Mr. President signed the abolition and acquitted him.

Slobodan MILOŠEVIĆ:

Well, he was doing the same thing that you were doing – giving ammunition over there!

Momčilo PERIŠIĆ:

He was giving ammunition to private owners as well.

38

Slobodan MILOŠEVIĆ:

He was not!

Momčilo PERIŠIĆ:

Please, let us not do it, if possible. At least not now. Let him stay on this duty, and let him prove and show himself.

Slobodan MILOŠEVIĆ:

You have done a lot of injustice to him! It should be corrected. I advocate a fair approach.

Secondly, we have also appointed KRIVOŠIJA the Chief of the School of National Defence, and we have not promoted him!?

Zoran LILIĆ:

That is a formational post of Lieutenant General.

Slavko KRIVOŠIJA:

Thank you, but I do not wish more than this!

Momčilo PERIŠIĆ:

Let me tell you – neither of them meets the conditions. One has to spend two thirds /sic/ with that rank in order for him to go for extraordinary promotion. He has been a Major General for a year!



Slavko KRIVOŠIJA:

And I am asking you, please, to leave me as an intern in this service for a year.

Momčilo PERIŠIĆ:

We made exceptions with the commanders of the armies.

Slobodan MILOŠEVIĆ:

For how long has Bora IVANOVIĆ been a Major General?

Momčilo PERIŠIĆ:

For two years.

Slobodan MILOŠEVIĆ:

Then he does meet the conditions!

39

Momčilo PERIŠIĆ:

But, Mr. President, we replaced him!

Slobodan MILOŠEVIĆ:

Excuse me, but we did not replace him; we did not consider him as being replaced.

Momčilo PERIŠIĆ:

Okay, if you want to do it, go ahead. I do not decide on that. You are in charge of generals. My opinion and my position is that it would be counterproductive to promote Bora at this moment. Honestly, that is my opinion.

Momir BULATOVIĆ:

The Day of the Yugoslav Army comes in six months as well, it is better to wait till then.

Slavko KRIVOŠIJA:

Mr. President, I would also like it to be in June.

Zoran LILIĆ:

Slavko, you are not a member of the Supreme Defence Council!

(Laughter)

Slavko KRIVOŠIJA:

True!

Momir BULATOVIĆ:

We have not done wrong to Bora IVANOVIĆ. Maybe it would be good if we wait for six more months?

Slobodan MILOŠEVIĆ:

You are in a majority!

Zoran LILIĆ:

I would like this decision to be unanimous, please!

40

Momir BULATOVIĆ:

There is no contradiction about this decision. It is just the question of the six-month time period.

Momčilo PERIŠIĆ:

I would have another couple of questions, if there is no more discussion on this thing.

Pavle BULATOVIĆ:

I would have something to say before that.

Zoran LILIĆ:

I also have a question regarding Colonel STOJADINOVIĆ. His formational post is that of a lieutenant general?

Momčilo PERIŠIĆ:

Yes, but he is not appointed to that position. He is appointed only by a decree.

Zoran LILIĆ:

Yes. It reads here: "to be appointed by a decree", and that is a formational post of a lieutenant general. I stated some other things about him, and I said openly that he should not be doing that. If he needs to be appointed, then let him be appointed – if you all make such a decision. We have had too many problems with him.

Momčilo PERIŠIĆ:

He was appointed by my order a year ago. Our proposal now is that he should be appointed by a decree, but also with elements of a colonel. /sic/

Zoran LILIĆ:

It is not implied by this that he is going to get the rank?

Momčilo PERIŠIĆ:

No way! You are going to decide whether or not he will get the rank, the same as you do for others!

41

Zoran LILIĆ:

I am not going to decide on that.

Momčilo PERIŠIĆ:

If you stand on the position that we should not appoint him by a decree, then we do not have to do that either. He wrote that as a free journalist before I arrived.

Zoran LILIĆ:

There was too much of that.

Momčilo PERIŠIĆ:

But, since you exerted your influence, I had a conversation with him. And you have seen that the Yugoslav Army has not been counterproductive anywhere in its information system ever since that time.

Slobodan MILOŠEVIĆ:

Do you recommend him wholeheartedly?

Momčilo PERIŠIĆ:

I do!

Slobodan MILOŠEVIĆ:

If that is your proposal, then all right!

Zoran LILIĆ:

The same thing applies to TERZIĆ. He has been promoted into a general in a regular procedure?

Momčilo PERIŠIĆ:

Regular.

Zoran LILIĆ:

Also “wholeheartedly”, as President MILOŠEVIĆ said?

42

Momčilo PERIŠIĆ:

Yes.

Slobodan MILOŠEVIĆ:

And add Bora IVANOVIĆ. And you can outvote me!

Zoran LILIĆ:

Then let it be Bora IVANOVIĆ as well, along with these two guys.

Pavle BULATOVIĆ:

What about Svetislav RISTIĆ?

Momčilo PERIŠIĆ:

He is also appointed by a decree only.

Zoran LILIĆ:

Bora is ten times better than this guy.

Slobodan MILOŠEVIĆ:

That cannot be compared at all!

Zoran LILIĆ:

I have yet another obligation. Given the fact that General KRIVOŠIJA is going to school, based on our appointment, we have appointed Colonel ŠUŠIĆ, who will be a doctor very soon, I hope – as soon as the next week, we have the obligation to appoint him the Secretary of the Supreme Defence Council, which normally belongs to him based on the function he performs as the Chief of the Military Cabinet of the President of the SRJ /Federal Republic of Yugoslavia/.

Slobodan MILOŠEVIĆ:

For how long have you had the rank of colonel?

Slavoljub ŠUŠIĆ:

For four years.

Zoran LILIĆ:

He is ready to get a rank.

Slobodan MILOŠEVIĆ:

It is not good that we have the Chief of the Military Cabinet who is not a major general.

Momčilo PERIŠIĆ:

The Colonel is an extraordinary person, but he has not got his doctor's degree yet.

Slavoljub ŠUŠIĆ:

That will take place next week.

Slobodan MILOŠEVIĆ:

A doctor's degree is not a condition for someone to be a general?

Momčilo PERIŠIĆ:

It is the condition! The condition is either a school of national defence or doctor's degree.

Zoran LILIĆ:

Momo, my proposal is that we should give him the rank of major general a week earlier.

Momčilo PERIŠIĆ:

I do not have anything against it.

Zoran LILIĆ:

He has held the rank of colonel for four years now.

Slobodan MILOŠEVIĆ:

If he fails to get his degree, he must return the rank! (Laughter)

Zoran LILIĆ:

He has submitted his doctor's thesis. Everything has been completed!

So, we have agreed.

Does anybody else want to say anything regarding the Other Business?

Pavle BULATOVIĆ:

Major General MILOVANOVIĆ has been proposed for the promotion into a lieutenant general in an extraordinary procedure. It is my duty to state certain things although they have not been completely finished.

Namely, as part of its regular activities, the Inspection has been performing the control of the implementation of certain programmes for several months now. Although it has not been completed, I am going to state what is certain. So far, there have been six tanks missing in the "Kapela" /"Chapel"/ Programme – it is a

programme related to tanks. I simply do not dare to state the number of tanks for which we are looking, and which can turn out to have simply disappeared as a means from our records by some channels, by export to Kuwait and by other channels. However, the money has not been presented in the Army budget. This covers the period from 1989 onwards.

The second problem that we are currently working on is the issue of supplying power sources for the Yugoslav Army, approximately from 1990 onwards. So far, a shortage of 2,500 tons has been established! Again, I say that the job has not been completed.

There are some other things here which may make General MILOVANOVIĆ responsible for the loss that has been caused. I had to inform you about this so that once all this is completed, if this turns out to be true, we do not find ourselves in a position in which we will have to take positions regarding a criminal report or some other possible action. This is what is in my opinion objective and what I deemed proper to inform you about.

There is yet another reason that we can consider a subjective one. I will inform you about it, although I thought that I would do it earlier. It is the following:

Some twenty or thirty days ago, while answering questions of the audience in a class, before some forty students of the School of National Defence and before the complete Department of Logistics, he stated some very rude remarks about myself in some context. I checked it. It was very insulting, even rather humiliating. But this is a subjective standpoint. My starting point here is that if a man is capable of saying such things about a minister of defence before such an assembly – be that minister blind or mad – then he will state the same thing for anybody else on some other occasion.

45

However, I keep this aside as some kind of my personal stance but the first things that I mentioned are facts and they will be before you in a month or so.

It was my duty to inform you about this, and it is up to you to decide!

Zoran LILIĆ:

Pavle, your proposal is that he should not be promoted now?

Pavle BULATOVIĆ:

Yes. Until these activities on control are completed. For, it could be rather unpleasant later on.

Momir BULATOVIĆ:

I think that there are two steps here. First, based on this story told by Minister BULATOVIĆ, I do not see one single reason for us to promote MILOVANOVIĆ in an extraordinary procedure. I think it is a very rational suggestion that we should wait. As for the inspection and the control – a tank is not a cigarette! If tanks can be missing, then it is a very serious problem!

Secondly, I believe that the generals of the Yugoslav Army have to choose their words carefully at such authoritative and official gatherings, regardless of what they think of any of us individually. In other words, they have to take consequences for what is proved to be stated by them. All of us – and probably myself more than the others - have gone through that phase when we have been subject to the greatest criticism. They did not dare to say anything to you (talking to President MILOŠEVIĆ), but I have been an “idiot and good-for-nothing”, and so on. My only satisfaction in all this was that those people later on were held accountable for some other things and not for any kind of insult. But as to the generals who have caused me, even in direct contacts, most grievous humiliations, it has been proved that it is an honour even to be humiliated by such men.

I think that there has to be a principle within the professional army. We are the Supreme Command, regardless of what they think of us. There is the Federal Government and there is the Federal Minister. They can tell their wives at home whatever they want, but no rude words can be used before the students of the School

46

of National Defence regarding personal characteristics of any of us.

Zoran LILIĆ:

We agree with that.

That means that we are not promoting Major General MILOVANOVIĆ now.

Momo, you had something to say regarding the Other Business.

Momir BULATOVIĆ:

I have two questions that concern the Other Business.



You are aware that we are facing different problems in this humanitarian mission. I think that we need to have unique rules so that those humanitarian workers can come to the areas that are under the exclusive jurisdiction of the Yugoslav Army in the border area.

This is the problem. The humanitarian workers from the Humanitarian Mission, headed by Bo PELNAS, are willing to come, let's say, to the area of Sitnica. The Army does not allow them to do so – which is in my opinion right, because they should not be allowed to go in and see directly the combat deployment of the Army in those sensitive areas.

However, I think that we should standardise the practice. We should grant them access to the area of the exclusive responsibility of the Yugoslav Army, where they could get an insight into the fact that that area is impassable for any of the goods they want to see directly. And we should not grant them access to the area of the deployment of the Yugoslav Army.

As long as we do not resolve that issue here as the Supreme Council, that is, as long as the Chief of General Staff does not give that order, we will have different practice and problems. I know that Admiral ZEC cannot resolve that problem. We can resolve the issue in this way: I propose that we should not allow them to go into the area of responsibility of the Yugoslav Army.

Slobodan MILOŠEVIĆ:

PERIŠIĆ should be resolving those things *ad hoc*. He should not get into conflict with them at all. On the other hand, he should not allow them to do something. But we should not be rigid in that, for we do not have anything to hide.

47

Momir BULATOVIĆ:

This is particularly a problem in Montenegro because of those several cases that went unobserved. Then their level of suspicion is much higher. They are very interesting in this in the area towards Sitnica. Admiral ZEC is absolutely right. He said: "I do not allow you to enter here, because you will identify the spots, the elevations. How can I be sure that Croats or someone else will not bomb us tomorrow?"

However, the whole that direction is inaccessible to them. They should be able to come to the spot that indicates the exclusive area of responsibility of the Army, and

they should be told: "The checkpoint is here. You cannot proceed any further. And you can stay for 48 hours in front of the checkpoint if you want."

Slobodan MILOŠEVIĆ:

Yes. Then they should be given such explanation.

Momčilo PERIŠIĆ:

Bob PELNAS was in my office yesterday, and he did not state that as a problem. This is exclusively for their safety. There is no possibility for them to go there. Okay, we will resolve that.

Zoran LILIĆ:

Okay. Are there any other questions?

Momčilo PERIŠIĆ:

I am asking for your standpoint: What am I to do with the people coming from over there, from the Republika Srpska, and who are not citizens of the SRJ? Should I deploy them or not? There are 26 of them.

Slobodan MILOŠEVIĆ:

Do not deploy them if they are not our citizens.

Momčilo PERIŠIĆ:

Tentatively speaking, they turn out to be deserters and they are not our citizens.

And I also have a question regarding the jet fuel. That problem is getting bigger and bigger.

Slobodan MILOŠEVIĆ:

If we resolve this thing with Russians, it will be better. I think that Pavle will clarify these things a little bit.

Pavle BULATOVIĆ:

If they insist on convertible payments, it is going to be a problem.

Radoje KONTIĆ:

That should be a compensation deal.

Zoran LILIĆ:

All right. I conclude the session of the Supreme Defence Council.

(The session concluded at 1900 hrs)

UNREVISSED