

STENOGRAPHIC RECORD
of the 14th session
OF THE SUPREME DEFENCE COUNCIL
HELD ON 11 OCTOBER 1993

The session began at 1230 hours.

Attending: Zoran LILIĆ, the President of the Federal Republic of Yugoslavia as the President of the Council; Slobodan MILOŠEVIĆ, President of Serbia and Momir BULATOVIĆ, President of Montenegro as Council members; Dr. Radoje KONTIĆ, Federal Prime Minister; Pavle BULATOVIĆ, Federal Minister of Defence; Lieutenant General Momčilo PERIŠIĆ, Chief of the General Staff of the Yugoslav Army, and Major General Slavko KRIVOŠIJA, Chief of the Military Cabinet of the President of the Federal Republic of Yugoslavia.

(The stenographic record was made by Jordan ŽIVANOVIĆ, senior debate stenographer – copy editor).

Zoran LILIĆ, President of the Council, presided over the session.

Zoran LILIĆ:

I suggest that we begin work.

You have received the following draft

A g e n d a

for today's session:

– Adoption of the minutes from the 13th session of the Supreme Defence Council

1. THE PROBLEM OF THE CURRENT FINANCING AND FINANCIAL SUPPORT FOR THE TRANSFORMATION OF THE YUGOSLAV ARMY

2. PERSONNEL ISSUES (at the proposal of the Chief of the General Staff)

3. CURRENT ISSUES.

Are there any objections to the minutes of the 13th session of the Supreme Defence Council? (There are none).

I wish to note that the minutes of the 13th session were adopted without objections.

We shall proceed to the first item of the agenda:

1. THE PROBLEM OF FINANCING AND FINANCIAL SUPPORT FOR THE TRANSFORMATION OF THE YUGOSLAV ARMY

This is the key item of today's meeting.

Slobodan MILOŠEVIĆ:

That has all been included in this piece of paper?

Zoran LILIĆ:

Yes. Everything that has been proposed there represents a current solution to the problem of financing the Yugoslav Army. There is no doubt that a more long-term approach to financing the Yugoslav Army should be sought. As far as I was able to acquaint myself, in this short period, with everything that is happening, one of the basic reasons for the lack of money is the unrealistic projection of the inflation rate with which we have approached a revision of the budget; second, the revision was around twenty days late, so that what was projected melted away. You can see that financial obligations increased 40% since August; by as many times as the projected rate of inflation had dropped. That is why the inflow and outflow of revenue cannot be adjusted, that is, the outflow is constantly increasing according to the inflation rate. At this moment, for all practical purposes, we cannot reconcile any of these obligations. We have withdrawn both the funds agreed on with the Prime Minister and the funds intended for November and December.

This proposal is intended to rectify the current situation. This will be explained by the Minister who is here.

Pavle BULATOVIĆ:

I don't know whether there is any need for me to dwell in greater detail on this material you have received.

This report was done up to and including 8 October 1993. General PERIŠIĆ will explain it in greater detail.

Momčilo PERIŠIĆ:

(Explains the graphs on the screen).

There was a total of 26,000,000,000 or 70.26% for current financing and military pensions on 30 March 1993. The transformation programme /accounts for/ 11,000,000,000 or 29%. That is the total.

According to the current solution of the revision, 94 was added on 26 August, so that the amount for current financing was slightly increased, because we could not meet all our financial obligations. The transformation programme declined to 19%, and currently the transformation programme does not even account for 10%.

You're all asking – what falls under transformation?

This is an overview of the funds for current financing. What does it include: funds for securing apartments; ensuring general-purpose resources and equipment; tasks related to regular activity; organisational and mobilisation problems; training and guidance; schooling; ensuring the plan; maintaining real estate; maintenance: food; medical coverage; cultural and education activities and other tasks.

Next – funds which have not been allocated; these are reserve funds. I mentioned the total a while ago.

What does transformation include: it is what has been imposed upon the Army as a result of the withdrawal from other republics. This includes providing weapons and military equipment; the procurement of ammunition and materiel reserves; the modification of weapons and military equipment; the modernisation of tanks, artillery weapons, and so forth; the procurement of spare parts; food and quartermaster supplies; the replenishing of reserves, medicine and operating supplies, and so on; construction activity: the construction and adaptation of military facilities – that is, above all, because of the new borders towards the whole of Bosnia and Macedonia; the construction of apartments allocated on the basis of official duties; configuring and preparing territory – there is, above all, the establishment of communications; the

development of science and research; securing the minimum vital needs for 3,000 people who have remained without any property, and the salaries of soldiers under contract.

I also wish to show you a graph – so that you can see how money is coming in:

On 7 September the situation was the following: these were the financial obligations that had arisen, and these were the financial obligations that had been met. After September, as time passed, you can see how the curve is going up, and now the obligations amount to over 60,000,000,000 while we are covering daily obligations under 10,000,000,000. If we go on like this, the inflow of money to meet financial obligations will be less than the interest we're paying.

Zoran LILIĆ:

Thank you.

Who would like to take the floor?

Slobodan MILOŠEVIĆ:

There isn't much to discuss here. This proposal is good. I don't know, does General PERIŠIĆ have anything to add to this proposal we got?

Momčilo PERIŠIĆ:

Mr. President, I agree completely. I would just like to say something, if you allow me, about our reserves of wartime material which we are now spending and which have not been represented in any way. Each day they are bringing us into a

situation where our combat capacities are declining, and we can't even help these two republics.

I'd like to show you on the chart what these reserves look like.

Each day we are using up our reserves but we are not getting a normal inflow of funds; and, secondly, we are helping the armies of the republics of Serbian Krajina.

With regard to infantry arms, these are the reserves that have been anticipated; we have a bit more for seven combat sets, because the factories are on our territory; with respect to infantry support, reserves are anticipated to amount to ten combat sets, and we only have 3.4 or 34%. Since this equipment is not being produced, this means that production has not been adopted, and where it has, we do not have the money to pay and then this falls through.

Anti-armour artillery – five have been anticipated, but we have 2.9 or 58%.

Artillery for support – ten combat sets have been anticipated, and we have 4.9 or 49%.

Anti-aircraft artillery – the first was for support – ten combat sets, and we have only 60%.

Combat vehicles – starting from 7.62 and concluding with 105 or 128, it is just 2.7 – even below the critical point. The level of the troop echelon is as follows: for weapons, one combat kit on the battalion level and one, and in the brigade one, which means three /as printed/. We must not change this in any way, but we have already changed it as far as tanks are concerned and it is less than 3.2, seven combat kits or 45%.

With respect to anti-aircraft artillery guns, seven have been anticipated, but we have 3.1 or only 44% – because targets on the ground are being hit and they are constantly asking for them.

With respect to anti-aircraft missiles, three have been anticipated, and we have 3.2, because we still have not allowed missiles to be used to hit targets on the ground. That's as far as ammunition is concerned.

Let me show you the situation regarding fuel.

Petrol – we need so much, and we only have 49%; we have only 26% for D-2; for D-2-S-1 for winter conditions we have 26%. For jet fuel we have only 4.2 or enough for a single day of war. This means that our planes can take off and that's it.

As far as other fuel is concerned, we have 50%.

Spare parts are next.

You see what the situation is, so I don't have to read everything to you. According to the structure, that's good. However, the problem is that in terms of spare parts, we have some kinds which are not being used and they are maintaining this percentage, while some spare parts which are being used in exceptionally large quantities are far beneath this – it was not possible to show all this.

The next item is food.

As a result of irregular supplies of fresh food, the troops are supposed to have five meals – and they have five meals. That just suffices for five days of war. The Army is supposed to have ten, and already has 80%. The Supreme Command is supposed to have five – it has nothing, the reserves of the Supreme Command have already been eaten up, and you know how many years are needed to ensure those huge reserves.

We're supposed to have food for 30 days of war, and we have enough for 17 days of war or 56%. If this is what our supplies continue to be like, we will eat up these reserves and when the war begins we will have to leave the population out completely and keep the Army hungry.

Quartermaster equipment is next.

Clothing on the troop level is 33%, and we have 3%, and 27% on the level of the Supreme Command –there is a total of around 20% of quartermaster supplies – clothing, equipment and so forth.

Personal hygiene equipment is next. This is being shown here because large-scale epidemics and infections can break out.

The troops only have 12%, the Army 10%, and the Supreme Command 3.5%. That's a total of 8%. I can tell you that our hygiene is at an exceptionally low level.

Energy products are next.

We have 22% of mazut, 22% of heating fuel, 11% of lignite and 88% of brown coal. There are a large number of financial obligations which have been agreed on here and have even been paid for. However, some mines cannot deliver coal to us.

I suggest that we either spend larger quantities of materiel reserves or that the necessary resources be secured so that we do not go below the minimum of troop reserves. Otherwise, if war breaks out, the following will happen: we will not have ammunition and the people will proclaim us incapable of doing what we do – I am thinking of us, the Army; or that we are not extending military assistance to the Republic of Serbian Krajina and Republika Srpska, or we need to provide the resources so that producers can produce.

Zoran LILIĆ:

You were also able to see what our situation was on the basis of the report. This is contained in item 2 of the proposal submitted by the Federal Ministry of the Defence.

I would suggest, in conclusion, that a plan be made to replenish the wartime reserves of the Yugoslav Army, as proposed by General PERIŠIĆ. I think the Ministry should do this, together with the Chief of the General Staff.

Slobodan MILOŠEVIĆ:

General PERIŠIĆ has given us succinct information that generally requires several hours of briefing. The essential points have been presented. I think that it's a very good thing that the overall situation has been presented to us in this manner, because we don't need several hours of persuasion to understand the seriousness of the problem which he illustrated with facts in this brief presentation.

I therefore think that the Supreme Council has to decide to resolve the question of reserves in a way which will preserve the combat readiness of the Army within limits beneath which we may not go.

Following up on General PERIŠIĆ's discussion, I wish to ask a question – does item 2 cover this or not, at least temporarily?

Pavle BULATOVIĆ:

Are you referring to the use of primary issue?

Slobodan MILOŠEVIĆ:

Yes.

Pavle BULATOVIĆ:

These 36,000,000,000 for special-purpose production cover what it has produced so far; that's the payment for outstanding financial obligations.

Slobodan MILOŠEVIĆ:

What you said is reason enough to scratch these 30, and to leave 40 as stopgap, because this covers what it has produced and there are 10% of assets for new production. The dilemma is thus eliminated.

Radoje KONTIĆ:

What is the difference between the funds referred to in item 1 and the funds referred to in item 2, as far as the source and not the purpose of funding is concerned?

Pavle BULATOVIĆ:

The source is the same – it's the National Bank.

Radoje KONTIĆ:

So you are suggesting that the National Bank issue 80,000,000,000 dinars for Army needs.

Pavle BULATOVIĆ:

Taking into account that the 40,000,000,000 would be used to finance special-purpose production.

Slobodan MILOŠEVIĆ:

It would not mean financing; this would just formally go through the Army's account straight to special-purpose production, while the financing of future special-

purpose production would be reduced to 4,000,000,000, because 36 has already been spent.

What is being calculated in item 3, because this does not generate inflation; that's clear. These are valid outstanding claims which the National Bank should buy.

Zoran LILIĆ:

My proposal would be – and the Ministry of Defence has done this and forwarded it to the Federal Government – since the Army has 87,000,000 US dollars in various outstanding claims abroad which, unfortunately, no one tried to recoup over the past ten years, and without deliberating on to what extent payment can be collected and what the potential creditworthiness is, this represents a good basis for me from which funds can be drawn to cover the Army's financial obligations and later they can be the country's hard currency reserves, provided that payment is collected on these claims. These are funds which are purely related to the services of the Yugoslav Army.

Everything proposed here represents a way of "putting out the fire". Without covering the total financial obligations of the Yugoslav Army, we will rapidly find ourselves in the same situation with this inflation rate. The most recent projections with regard to Yugoslav Army reserves are sufficiently serious and demonstrate that it is indispensable for a turnaround to be made with respect to the Yugoslav Army.

I suggest that this be accepted and that a real plan be worked out straight away on how to deal with funds intended for the Yugoslav Army in the future. I think that the way in which things were done to date with regard to the military industry and work through the Federal Directorate of Supply and Procurement is not good and that it will quickly create the same situation we already have.

Slobodan MILOŠEVIĆ:

I agree that this should be accepted.

Radoje KONTIĆ:

This is all primary issue – that's 80,000,000,000, because we have no other sources. It is absolutely impossible to collect payment for the outstanding claims referred to which are approximately 80,000,000 US dollars. These are outstanding claims that we have in Iraq, Libya, Ethiopia, Angola, Zambia and Palestine. Maybe there's a chance of collecting something from Zambia, but there's no chance of getting anything from Libya, Ethiopia or Iraq.

Slobodan MILOŠEVIĆ:

What do you mean, there's no chance of collecting from Iraq, Libya or Ethiopia? Okay, Ethiopia is poor, but we can collect from Libya.

Radoje KONTIĆ:

Libya can pay only if we can blackmail it. They, too, are banned from engaging in trade. Secondly, Libya owes us an incredible amount of money on the basis of trade.

Zoran ILIĆ:

Rajo, I can't comprehend that the Federal Directorate of Supply and Procurement is proposing again that we work with Angola and these very same countries.

Radoje KONTIĆ:

We're maintaining relations with Angola in connection with oil, but as far as Libya, Iraq and Ethiopia are concerned, there's no chance of collecting what they owe. But even if we could collect, this is primary issue again at this moment when there is no hard currency.

As far as federal commodity reserves are concerned, the situation is even more difficult; they're almost non-existent.

I have to draw your attention to two things with respect to these figures: the first is legal and the second is an economic consequence. Pursuant to the Law on the National Bank of Yugoslavia adopted two months ago, the maximum that the debit of the federal budget can amount to is 30% of the primary issue. I am referring to both budgets.

In addition to the funds anticipated here, we currently need around 150,000,000,000 for agriculture. In general, agriculture requires around 300,000,000,000. The republican budgets are roughly covered by 40 and 55% of the primary issue. This means that we cover almost 50% of total consumption on the basis of primary issue. We cannot do this under the law which forbids it.

Second, there's the economic aspect: the issue of such a large amount of primary issue will at some point represent a catastrophe for the movement of prices and hard currency. By next month, these figures will become insignificant for the Army, too.

That's without item 3.

I accept item 3, but there are no quantifications there.

We are preparing item 4 concerning the revision – we accept that.

As far as items 1 and 2 are concerned, that is, to issue 80,000,000,000, we absolutely should not do it if we do not want to create monetary chaos. That's more than the entire primary issue since the beginning of the year.

Zoran LILIĆ:

When the Federal Government is in question?

Radoje KONTIĆ:

No, when these two other governments are involved. We have issued slightly over 70,000,000,000 since the beginning of the year.

Slobodan MILOŠEVIĆ:

That cannot be compared, because 10,000,000,000 in January and 10,000,000,000 now is not the same.

Zoran LILIĆ:

In August the Army owed 1,800,000,000; it did not increase its indebtedness by ordering new goods. After 35 days, on 8 October, it owes 71,000,000,000. Had we issued 1,000,000,000 then, we would have saved 70,000,000,000.

I keep saying that the projected costs of the Army are based on a 50% inflation rate, but that it is 40 times bigger.

Radoje KONTIĆ:

For all in the Federation. We are now drawing up a new revision of the budget, which should be adopted in November. But I'm warning you that we cannot issue 80,000,000,000 and dump it on the market.

Under item 2, is the intention to issue these 40,000,000,000 this month?

Zoran LILIĆ:

No, it can be introduced into production successively.

Pavle BULATOVIĆ:

Under item 2, we were thinking of working out the dynamics of issue until the middle of December.

Radoje KONTIĆ:

Then this isn't a problem; we can go ahead and accept this. We are preparing for you far more than has been proposed here.

Momir BULATOVIĆ:

The problem is the same, because 34,000,000 is a prompt obligation.

Radoje KONTIĆ:

That's a problem, but this other item is not.

Zoran LILIĆ:

We have to solve this today. The question of the survival of the Army arises: it's no longer a question of 20, 30 or 50,000,000,000. We saw what the reserves are – the reserves of kerosene are for a single day.

Radoje KONTIĆ:

If item 2 does not pertain to October, there is no problem.

Slobodan MILOŠEVIĆ:

What do you mean, it doesn't pertain to October. This pertains not to October, but to March, April, May and June.

Momčilo PERIŠIĆ:

Special-purpose companies are not operating now. They are certainly being paid in some form – people are not working but they are getting paid and they're not manufacturing anything for us. If we get the money, we'll pay their debts, they can pay the salaries and also produce something.

Radoje KONTIĆ:

This morning I asked to be given the data on inflation for the month of October – in the first three weeks of October, inflation exceeded 600%. So, the inflation rate for October can equal 1,000%.

I understand these problems, just like you.

As far as item 2 is concerned, I suggest that we sit down with every company and agree how to secure those funds for them; what we need to do to ensure that the

funds have the smallest possible inflationary impact and how they can be immediately reproduced in the form of new production.

Item 1 is the key item. That's 40,000,000,000 to 50,000,000,000, which could perhaps be issued by the end of the month.

Slobodan MILOŠEVIĆ:

Let the Ministry of the Army issue promissory notes for incoming claims received by the military industry, and then the military industry should sell the promissory notes to the National Bank.

Radoje KONTIĆ:

Give us an order and we'll find the solutions.

Slobodan MILOŠEVIĆ:

What is essential here is for the military industry to begin operating; General PERIŠIĆ is right there: it is at a standstill now, it's being financed in some way, but it is now operating. In this way, it would begin operating.

Accordingly, I would accept this as proposed by the Federal Ministry as a whole, as the first step required to unplug the problem of financing the Army at the moment. Otherwise, we haven't accomplished anything. It's better if we don't keep them half-dead but in a normal situation, with the completely same problems. The alternative is to abolish the Army!

Zoran LILIĆ:

I would like to ask you that the outstanding claims of the military industry through the Federal Directorate of Supply and Procurement, which amount to 1,100,000,000 US dollars be viewed as a whole package for which credits could have been so that this could remain as Yugoslavia's reserve; this amount that was invested in the military industry by the Yugoslav Army, that is, around 40,000,000 DM, taking into account the fact that just this year, 9,300,000,000 DM were given, without the National Bank and companies having fulfilled their obligation, with the exception of the Yugoslav Army.

Radoje KONTIĆ:

Pursuant to the law, we can still incur a debt of 7,000,000,000 by the end of the year. We are preparing the revision for 1 November. And the debt with the National Bank is supposed to be repaid in a year. Therefore, we must reduce this to a minimum. The minimum is what has to be left for current financing, what is needed for the army – let us look for solutions, as Sloba said, and consider other solutions. In the next few days we should sit down and see how we can unplug the process of expanding production capacities in factories. Whether we will do it through primary issue or through securities, we shall see. We simply cannot fling 80,000,000,000 on the market; that would be a catastrophe!

Momčilo PERIŠIĆ:

This is the list of military industry companies to which we owe money.

Radoje KONTIĆ:

Since there are around twenty of them, we can sit down with everyone and discuss the matter.

Zoran LILIĆ:

Rajo, I suggest that this should be accepted, and that what you are talking about should be done too.

Radoje KONTIĆ:

Don't, it can't be done; physically it is not possible to issue 80,000,000.

Slobodan MILOŠEVIĆ:

Rajo, but you must make it possible for the Army to meet its obligations!

Radoje KONTIĆ:

I agree. I'm not trying to avoid this at all. On the contrary, our task is to sit down and talk.

Zoran LILIĆ:

If there is another model for what has been proposed here, there's no problem in having it accepted.

Radoje KONTIĆ:

Primary issue is the worst possible solution. It means inflation.

Slobodan MILOŠEVIĆ:

That's not primary issue for those companies. If I were the director of that company, I wouldn't sit down with you to discuss how you could provide me with primary issue. I would say: the Army owes me and I'm not asking for anything else than that you pay my outstanding obligations for the equipment I have delivered!

Zoran LILIĆ:

Rajo, as someone who is supposed to be responsible for the Army, because you have charged me with doing that, all I'm asking is that the 87,000,000 US dollars which the Federal Government and the Socialist Federative Republic of Yugoslavia have vouched for be paid to the Army. The Army is almost the only one on the Federation's budget, with a couple of us included.

Radoje KONTIĆ:

As far as current financing is concerned, I agree that a short-term credit of 40,000,000,000 should be taken.

As far as the second item is concerned, let us sit down and seek solutions, starting with multinational compensation, debt clearance, the issuance of promissory notes, giving primary issue, certain reserve commodities and so forth.

Zoran LILIĆ:

The Army is eating food from tins which are three to five times more expensive than regular fresh food on the market, because they are not capable of paying their debts to suppliers. This will cost us five times more when we have to renew our reserves.

Pavle BULATOVIĆ:

There are units which haven't received fresh meat for a month.

Zoran LILIĆ:

This fact should be mentioned too: the National Bank has given its agreement to the Federal Directorate of Supply and Procurement to take a huge quantity of dollars outside for the import of food which has not been imported. Those are the funds of the Yugoslav Army. The Army cannot bear this as its burden!

Radoje KONTIĆ:

Primary issue is just inflation.

Zoran LILIĆ:

If 50,000 officers and another 50,000 pensioners are going to create such chaos on the market, I agree that this should be done taking into account the responsibility of the President of the Federal Republic of Yugoslavia.

Radoje KONTIĆ:

We planned 27,000,000,000 for the third quarter and we printed 200,000,000,000. That's a disaster!

Zoran LILIĆ:

Someone should have called the directors earlier and have some of them write off outstanding claims and others change them to promissory notes. Until this is done, 15 to 20 days will pass, and the Army has to live 20 days.

We have given a proposal here. I, too, took part. I see no other solution!

Radoje KONTIĆ:

Mr. President, according to the Law on the National Bank of Yugoslavia, we can go further into debt by another 7,000,000,000. That's the maximum.

Secondly, in economic terms, it's a disaster to issue 80,000,000,000!

Zoran LILIĆ:

Let the National Bank buy off the outstanding hard currency claims of the Army and let it give that amount of money!

Radoje KONTIĆ:

That's the same thing from the standpoint of inflation.

Slobodan MILOŠEVIĆ:

This must be secured for the Army to function.

Radoje KONTIĆ:

Why don't you leave this option to us until we find a better solution?

Slobodan MILOŠEVIĆ:

We met today to find a solution, and not to say that the problem needs to be solved.

Radoje KONTIĆ:

Leave it to the Government, /the Ministry/ of Finance, the /National/ Bank and companies to sit down and agree on the way in which this will be solved, so that this is not primary issue. Every billion reduced is a big accomplishment.

Momčilo PERIŠIĆ:

I have to point out the actual consequences which could occur. In an exceptionally unstable political situation, the Army, as a factor of stability, would be transformed into a factor of instability, primarily because of the lack of food for the troops; the quantities of food fall below the minimum which is physically necessary. We have problems with the troops getting food poisoning!

Second, pilots won't be able to train at all.

Third, if social unrest breaks out, the Army will not be a factor of stability if we do not ensure the minimum, at least in the same way in which we do to other organisations in our society. The Army is not asking for anything more. I am sure that I will always be able to keep them quiet when we're at the level of other social organisations similar to us. But when we have disproportion, then that's a big problem, and there are disproportions in the standard.

Radoje KONTIĆ:

We physically cannot manage to print 80,000,000,000 dinars.

Slobodan MILOŠEVIĆ:

It doesn't have to be printed; they don't need cash.

Radoje KONTIĆ:

What do you mean? Every dinar has to be printed, because how else are we going to get the money?

Slobodan MILOŠEVIĆ:

There is no cash money there. Primary issue should be released, the left side of the balance debited and 40 plus 40,000,000,000 released.

Radoje KONTIĆ:

But /?he/ is not giving credit but cash.

Slobodan MILOŠEVIĆ:

Let /?him/ issue it in the form of a credit at the expense of the state budget; the Yugoslav Army then passes this on to its suppliers; it pays the suppliers and the whole thing is finished. It's simple. There's no other way to do it.

I just agree with you, Raja, on one thing – it's true that this has a certain inflationary impact. However, I think that this effect is less than the effect produced by the insolvency and the fact that these companies are not functioning, because these companies are thereby being made operational and will begin to produce. As long as there is collateral in commodities and the marketing of goods, there is no inflationary effect. Instead, certain normal and regular commodity-money trends appear. The question now is: shall we make normal commodity-money trends between the Army and its suppliers possible or not? In order to function, it has to carry out its obligations towards those supplying food, meat, vegetables, ammunition, weapons, energy, etc.

Radoje KONTIĆ:

Why can't I carry out multilateral compensation with a large number of enterprises instead of turning to primary issue?

Slobodan MILOŠEVIĆ:

Do whatever you want, as long as you give the Army money.

Radoje KONTIĆ:

Leave it to us, to explore the possibility of resolving this.

Momir BULATOVIĆ:

First of all, I don't think see that we are using a good method in our work. If the problem is so complex, let's not complicate it further. I think that one thing is not controversial: we have to give this money and the question is how.

It is clear from item 1 that we have to issue 40,000,000,000.

Objectively, KONTIĆ has pointed to a significant problem: pursuant to the Law we can incur a debt of 7,000,000,000 with the National Bank of Yugoslavia; 33,000,000,000 remains. Sixty per cent of that amount has to be issued, if 60% is used as collateral. But this is a matter which will be regulated in the National Bank of Yugoslavia.

These 34,000,000,000 remain. This has to do with production, but production which is not going anywhere further; it's not going to the market, it's going to the reserves. Consequently, this is a purely inflationary blow, but it is indispensable; we have to do something about it. I think that in a few days, the Ministry of Defence, the General Staff and the Ministry of Finance should review the dynamics and we need to

see how we can pay these 34,000,000,000. This no longer has to do with the economy but with the necessity for those factories to begin working, if we want to defend the country.

What is important, and it is not our problem now, is that while we are discussing 80,000,000,000 and speaking about an inflationary blow, KONTIĆ is informing us that 150,000,000,000 should be issued to agriculture. I think that the biggest mistake of our economy is the attitude towards agriculture, because agriculture is really a burden on our backs. We never gave so much money from primary issue to agriculture and we will inflict a terrible inflationary blow here to commodities which we should not be doing.

I think that our problems related to this financing would be fewer and easier to bear if the Government had a different concept about financing agricultural production. I know what the problem is. If we are solving the problem partially, we will issue 80,000,000,000 here. On the other hand, ŠAINOVIĆ is exerting great pressure for cash to be given and for this to be issued. You remember that in August we talked about adopting an economic programme. We said that the primary issue funds for agriculture had to be reduced and that by releasing /goods/ from commodity reserves at realistic prices, funds would be created for further purchases of agricultural products.

I therefore think there is no need to create a state of heightened nervousness. We have to issue these funds; they represent a purely inflationary blow. We should try to at least keep inflation under some sort of control in terms of some other instruments, and not with these which are typically inflationary in nature.

However, the central problem for me is that we won't be able to adopt a revision of the budget. I think that the Federal Government and President LILIĆ should join in so that we can see how we'll be able to do this.

I think that we should give an order to the Government to pay these outstanding obligations owed to the Army in a manner it considers appropriate.

Radoje KONTIĆ:

It says here: "This issue will be cancelled". I don't know what this means; it won't be cancelled; instead, this will be resolved then.

Slobodan MILOŠEVIĆ:

It suits us if you give that from the budget.

Radoje KONTIĆ:

Maybe I will. I want to see if I can find another solution. If we don't find another solution, we will give it from the budget.

Slobodan MILOŠEVIĆ:

Then there are no problems. PERIŠIĆ doesn't care at all where he's going to get the money from.

Radoje KONTIĆ:

We'll see about this matter this week. If we cannot resolve it in another way, we will give /the funds/ next week from primary issue. I don't know – what else can we do?

Zoran LILIĆ:

This has nothing to do with anyone's wishes; what it has to do with are the minimum needs for resolving the problem of the Yugoslav Army.

Second, if the funds intended for the Yugoslav Army were adjusted for the level of inflation, I think there would be no need for us to discuss this.

I urge you to consider this as an urgent task related to the functioning of the Army, not to mention security.

Slobodan MILOŠEVIĆ:

What Momir BULATOVIĆ said is accurate and boils down to the following: the Army has no need to have a relationship towards the Central Bank; it has a relationship towards the federal budget. Consequently, the federal budget is the source for financing the Army. Perhaps the error of this report is that it went further, calculating that the federal budget does not have the funds and that it will have to ask for a loan from the National Bank. The Army is not interested where the federal budget will secure the funds and in this respect, the fact that KONTIĆ is seeking more room is all right. The essential thing is that the Army gets the money. It is not significant whether it will get it from primary issue, through the federal budget, by means of compensation and so forth.

Zoran LILIĆ:

So we can conclude that the proposal for the minimum of funds necessary, for which a solution will be found by the Federal Government, is accepted.

Slobodan MILOŠEVIĆ:

That's right, with respect to all these items as far as the Army's request is concerned.

Radoje KONTIĆ:

Item 3 is related to the National Bank.

Slobodan MILOŠEVIĆ:

They have to purchase part of their outstanding claims. You have to judge just how much of the claims are realistic so that they can be purchased.

Radoje KONTIĆ:

As far as inflation is concerned, it's the same thing.

Slobodan MILOŠEVIĆ:

With respect to other companies, too, I think that the National Bank should buy out the outstanding claims.

Radoje KONTIĆ:

That's another matter, where you actually get hard currency and that would be great.

Slobodan MILOŠEVIĆ:

So, does this mean that the Army is getting the money?

Zoran LILIĆ:

That's how I understood it!

Radoje KONTIĆ:

In the way we agreed; it should be eliminated from the primary issue, and the Government will find a way how to do it. So 40 remains, in addition to 30 to 40. The initial 40 has to be printed right away, and as for the rest we'll discuss it at another meeting this week.

Slobodan MILOŠEVIĆ:

It's not a matter of indifference when money is given in a month. By giving the Army money belatedly, we are creating the impression that they got a lot of money, whereas in fact they got a little money because they're getting it late. Just by improving the dynamics of how the Army gets money, it is placed into a much more favourable position.

Raja, when will the Army get this money?

Radoje KONTIĆ:

The 40,000,000,000 at once. In the morning, Pavle, I and the rest will sit down and wrap this up this week.

Zoran LILIĆ:

I suggest that we conclude.

Slobodan MILOŠEVIĆ:

Let's hear from KONTIĆ when the money will be available and this should be recorded in the minutes.

Radoje KONTIĆ:

The two of you are here. I cannot give orders to the National Bank; it is independent. Let's see with Zoran about this tomorrow; we'll call the National Bank and order them to issue the money.

Zoran LILIĆ:

I'd /?make a fix-term deposit/ for all this to be implemented by the week's end.

Radoje KONTIĆ:

Let's see about what we can get done with reference to item 2. The dynamics have been determined there.

Momir BULATOVIĆ:

Let's be completely frank about one thing. This survey shows that we are transferring a part of the budget obligations to the special-purpose industry and that it is suffering adverse effects, because in this situation, no matter how large the interest rates are, they are still lower than the inflation rate. Consequently, this fifty-fifty relationship actually signifies the transfer of the budgetary obligation from the state and Army to industry.

Slobodan MILOŠEVIĆ:

We'll destroy them!

Zoran LILIĆ:

All right. I suggest that we move on to the second item on the agenda:

2. PERSONNEL ISSUES

General PERIŠIĆ has the floor.

Momčilo PERIŠIĆ:

These are personnel issues related to officers in the armies of Republika Srpska and the Serbian Krajina. We have 3,612 people there whose status has not been regulated under the new law.

In order to have a foothold, we have paved the way for the President of the state, in his capacity as Supreme Commander, to issue an order regulating their status and that of officers here. And in order to avoid having anyone criticise us, we have devised a temporary formation in the Yugoslav Army. We appoint them here; they are not actually here but are performing their duties over where they are stationed.

We wanted to give this just to the Supreme Commander, but I wanted you to know too. We must create a stronghold so that the General Staff can work on these issues to a certain extent within the spirit of the law, even though this is not entirely in conformity with the law. But we cannot see a better solution.

Slobodan MILOŠEVIĆ:

That's right, but only a single copy of this should stay with you.

Momčilo PERIŠIĆ:

In our orders, for instance, we write to them: the commander of such and such a unit shall be deployed in a training corps which is supposed to be here, but in fact he's going over there.

Slobodan MILOŠEVIĆ:

You can do what you want, as long as you don't /?drag it out/.

Momčilo PERIŠIĆ:

Otherwise, if we don't have some kind of a foothold in the law, we can't provide them with anything.

Another thing is of the essence here. They are asking for specific individuals. If those men refuse to go there, then we need to view them as deserters who don't want to defend their homes. If you force them to, and you don't have a basis to do so, because then they will protest; they can even make statements outside and say: "They're claiming that they're not helping, but in fact they are."

Momir BULATOVIĆ:

I think this is a very sensitive question.

In view of all these problems, I would like to suggest that this should be studied and reviewed a bit further. Because, as far as I could see from reading that document, this element of coercion is the most controversial – if they won't go, then we expel them from the Yugoslav Army. I am in favour of a slightly different

approach, in view of the sensitive nature of the problems and the unfavourable experiences we are faced with. We cannot protect the secrecy of this information, and but it is in the vital interest of the state that it be protected.

I am in favour of a more flexible approach. We have around 7,000 Serbs and Montenegrins who were born there. Half of them refuse to go there. If we force them to go, we are exposing ourselves to certain risks. I am in favour of applying certain restrictive measures to those who fail to respond to a call-up to defend their people over there, but not in such a direct manner. I am assuming that these people could not advance any further in their service or would lose the positions they have. But they should not lose their jobs because they don't want to go over there. We must not make any kind of precedent as part of this order which our President would sign.

I'd like to suggest that we review this delicate problem once again from the standpoint of how it should be carried out. I am not contesting any of the possible orientations given here in principle. But we had cases here when our policemen went to Herzegovina to fight. We had a system of giving them six months of paid leave.

I am in favour of safeguarding a certain level of secrecy and taking into account existing realities. However, we should work out a mechanism which would be absolutely safe from the standpoint of our state. I wish to reiterate that in my view, those men should not remain in the Yugoslav Army; nevertheless, they shouldn't be expelled or moved to other positions just because of that. These other questions are becoming very complicated, beginning with promotions and including everything else. Let's be completely frank in our closed circle – we are facing or we shall very soon face the fact that a degree of ideologisation is present to quite an extent both in Republika Srpska and in the Republic of Serbian Krajina and their respective armies, but it would be difficult to introduce here that neo-Chetnik ideology present over

there. In my view, there are a thousand reasons to approach this problem in a more delicate manner and to work on it for our next session.

Momčilo PERIŠIĆ:

I have already issued an internal order that they're all supposed to go there; whoever doesn't want to go has to find a mode; we, too, have found the appropriate criteria. For instance, if someone doesn't want to go and has over 30 years of pensionable employment, we can give him early retirement so that we're not accepting this. We'll tell him that he is not performing his duties in a satisfactory manner and other things, but we won't write that he did not want to go there. So we won't give them any kind of legal stronghold. However, we can rework this order in all its other segments and submit it to the President, and just leave out the part related to their having to go. We'll find another way of getting rid of them.

Momir BULATOVIĆ:

General, there's another element that I think is significant: we need to have information about the specific person. It could be the case that he was born there quite by accident. I would have a different attitude towards someone whose brother or father is over there but he refuses to go; he has land there and is connected to those parts and towards someone who happened to be born in the area quite by accident. You have many officers whose fathers were officers too but never lived in those parts, nor do they feel a moral obligation to go back.

So one of the additional criteria should be to verify whether the individual in question really has a moral obligation to go back there, or whether the fact that he just comes from those parts has been recorded.

Momčilo PERIŠIĆ:

On the whole, if such an individual is not ready to go fight anywhere, and this is a single people, we need to think about whether he should be in this Army at all. If you were to order me, and I was born here, to go and defend the people there and I didn't go, I should not be in this position, not I or anyone else. However, people go because they're following the path of least resistance and that's why we're in this situation.

Zoran LILIĆ:

As far as I understood, Momo was not contesting that fact. Quite logically, he considered that the modalities need to be worked out and that a different approach needs to be taken.

Momir BULATOVIĆ:

We have to return this document. If this were to fall into anybody's hands, they would keep us under sanctions ten years.

Zoran LILIĆ:

So the proposal is that this should be reviewed again.

Slobodan MILOŠEVIĆ:

Yes, but it has to stay with the General!

Momčilo PERIŠIĆ:

Just so we don't have to wait for the next Council session, should I throw out everything that pertains to repressive actions – if they won't go – and leave everything else in the order?

Zoran LILIĆ:

We'll have to discuss this again at the Council session.

Momir BULATOVIĆ:

You must bear in mind a bit the fact how long those people have been there and how we're bringing them back; we have to have information about this. If someone has spent a long time in Bosnia, it's hard to appoint him to a position in Novi Sad now. We have to bear in mind that people change in war, in an atmosphere and in the logic of war and that this is a political option which we don't quite accept here but we support it because it's in our interest.

Zoran LILIĆ:

All right, let's postpone this for the next session of the Supreme Defence Council.

Let's move on to the next question, General!

Momčilo PERIŠIĆ:

The proposal of the Army of Republika Srpska and their government is that they should be promoted to higher ranks, and the Supreme Council needs to verify all their proposals. They are proposing the following:

– that Major General Momir TALIĆ, Commander of the Banja Luka Corps, be promoted to the rank of Lieutenant General;

– that colonels Grujo BOJIĆ, Stanislav GAVRIĆ, GRUBIĆ, KELEČEVIĆ and Novica SIMIĆ be promoted to the rank of major general. All of them have been promoted there; they have new ranks, but we have to verify that. If we don't verify it, this will not be valid if they come here, but it is valid for them;

– that Živomir NINKOVIĆ be promoted to the rank of Major General in the Air Force;

– that Dušan KOVAČEVIĆ and Bogdan SUBOTIĆ be promoted to the rank of major general.

In the Army of the Republic of Serbian Krajina, Mile NOVAKOVIĆ and Borislav ĐUKIĆ are to be promoted to the rank of major general.

These are their proposals. If you agree, let's verify this, and if you don't, let's see what we should do.

Momir BULATOVIĆ:

When we verify this, what does this actually mean?

Momčilo PERIŠIĆ:

This means that they enjoy all the rights here with respect to the ranks they acquired there.

Momir BULATOVIĆ:

Are their families there or are they here?

Momčilo PERIŠIĆ:

The families of some are over there and of others here. Most of them were on active duty here and when war broke out they went over there. The families retained the same status they had had. This is not just them – there are over 3,000 officers. That's why I'm insisting that they should get the same status as officers here, so that they can purchase uniforms, receive medical treatment, have their children attend school, and so on.

Momir BULATOVIĆ:

As far as I remember, that problem has been dragging in for a long time. I just happened to remember General SUBOTIĆ's case. I think he was quickly promoted to the rank of Colonel and then to the rank of General. I don't know what the procedure is according to the relevant legal provisions.

Momčilo PERIŠIĆ:

The standard there is how the men have demonstrated themselves in combat and in the specific work they do.

Slobodan MILOŠEVIĆ:

If we're going to resolve this matter, I think we should resolve it in conformity with a proposal by General PERIŠIĆ, instead of being an instrument of transmitting the proposals they have given, whereas we're not familiar with the criteria.

I think that General PERIŠIĆ should ask General MLADIĆ for an opinion about all this and come up with his own views and then present us with proposals to address the issues individually.

Momčilo PERIŠIĆ:

Mr. President, I know about some of them but I have no basis to form an opinion about a large number of these people. I wouldn't like to put you in a position where we're promoting certain people I don't know. Perhaps it would be best if we left this for the next session.

Slobodan MILOŠEVIĆ:

Yes, and MLADIĆ needs to come here so that we can hear what he has to say, and then we should see hear General PERIŠIĆ's proposal concerning this. We can only resolve issues at the proposal of the Chief of the General Staff.

Momir BULATOVIĆ:

That's a much bigger problem than at first glance. First, this is the elite of the armies of Republika Srpska and the Republic of Serbian Krajina; these are the most distinguished officers. The fact that they have their ranks there and have to have them verified here also means the following: it makes no difference from the standpoint of fundamental rights; this is a question of medical protection, the status of families, schooling children, and so on. But apartments are the problem.

The question now is whether we as a state will now pull out the best of their military personnel from Republika Srpska and the Republic of Serbian Krajina and bring them to Belgrade or not. That's the essence of the problem.

Momčilo PERIŠIĆ:

All the more so, and I know this, because in the case of many men, when they come here, something happens to them over there right away. There are many officers who spent time here in the most difficult situations, precisely because their status has not been resolved. This is an issue that we have to resolve comprehensively. But in this situation, we have no better mode of doing so.

Momir BULATOVIĆ:

This is directly related to the preceding question.

Zoran LILIĆ:

Absolutely!

I suggest that we speak about this once again, and that we continue with General PERIŠIĆ's other proposals.

Momčilo PERIŠIĆ:

As far as generals are concerned, the situation we have now is as follows:

We have a total of 45 generals, including 37 Serbs, 6 Montenegrins, a Hungarian and an Albanian – that's a total of 45. Their age structure is as follows: we have one general who's sixty and he's the Chief of the Military Medical Academy; we have five whose ages range from 58 to 60; we have six who are 57; we have ten whose ages range from 55 to 57 and there are 23 generals who are under 55.

On the basis of this, we should continue to conduct a policy of promotions, because we have pensioned many of them, while their positions have remained vacant.

On that basis we have determined the establishment positions which are correlated to the future Yugoslav Army. There have been 135 generals up to now; we suggest that there should be 92 positions for generals in this interim period. I wish to point out that in early November, I will propose to you two variants of the new Yugoslav Army which will certainly have fewer than 92 generals. The number will be approximately 80 which is within the limits of standards world-wide – 0.5 to 0.7 of the number of officers in the Yugoslav Army.

In connection with this matter, we now have the need to promote certain people, so that a number of important posts for generals will be filled. The officers are the following:

– Božidar ĐOKIĆ, Commander of the Leskovac Corps. He fulfils all the necessary conditions. For a while he was the Chief of Staff of the Podgorica Corps, then he was in the Inspectorate and later in the 3rd Army Command and now he's a commander;

– Mihajlo MARKOVIĆ, Assistant Commander of the 3rd Army for Logistics; he spent three years in that position and his work is outstanding. Under the conditions we have, he has made it possible for the 3rd Army to receive regular supplies of all combat needs;

– Dušan LONČAR, Commander of the Užice Corps. He took part in combat; for a long time he was Chief of Staff. He just assumed his post. His work is excellent;

– Milorad OBRADOVIĆ, Commander of the Podgorica Corps, who was a member of the 3rd Army until last year. He has proved to be a very able commander.

– Vidoje PANTELIĆ, Assistant Commander for Logistics of the 1st Army; he is successfully fulfilling combat needs and ensuring the normal life and work of the Army;

– Mirko VUČINIĆ, Assistant for Logistics in the Command of the Air Force and Anti-Aircraft Defence.

In addition to these six men, I propose that Aleksandar DIMITRIJEVIĆ, Chief of the Security Service, also be promoted. He succeeded in bringing a weakened security system up to a level where it is capable of successfully executing its assignments. However, there were many calculations in connection with him, and he was particularly attacked by the Radical Party. I think it would be good to promote him to show and prove to them that they are not in charge of personnel policy in the Army.

With the promotion of these seven men, we would increase the number, but not to 52 generals, because at the same time we are proposing that four retire. They are:

– Radomir DAMJANOVIĆ, who was the Chief of Staff of the 2nd Army up to now. He is now without an official appointment and is outside the establishment. You know that last time an error occurred, and the other one went instead of DAMJANOVIĆ;

– Mihailo RADOJKOVIĆ, who has had no official appointment for quite some time. He is currently in the Centre of Military Schools of Higher Education and does not deserve to be a general based on his work and efforts;

– Velibor JOVANOVIĆ, because there is no appropriate establishment post for him and because he is ill. He's a good man, but we have no appropriate post.

Slobodan MILOŠEVIĆ:

Isn't he the Chief of the Security Training Centre in Pančevo?

Momčilo PERIŠIĆ:

Yes, he is!

Slobodan MILOŠEVIĆ:

How is that not an establishment post?

Momčilo PERIŠIĆ:

It isn't; it's the post of a colonel. He was appointed there on the basis of provisional establishment. He has over 40 years of pensionable employment. He is ill and it would not be possible to appoint him to a commanding position;

– Ismet KRASINIĆI, who does nothing. We have kept him so far because he's the sole Albanian general.

Slobodan MILOŠEVIĆ:

That's still the case. (Laughter).

Momčilo PERIŠIĆ:

I am suggesting him to calm down a lot of people. Farkaš GEZA is a Hungarian. He's very good and we have appointed him to an establishment post, but we don't have the possibility of appointing KRASINIĆI anywhere; he's not accepted anywhere. His intellectual and overall abilities are limited.

Slobodan MILOŠEVIĆ:

They're limited, that's for sure. But I wouldn't pension him; we should have an Albanian general. He should be given any kind of a post.

Momčilo PERIŠIĆ:

Then we'll let him stay on.

Slobodan MILOŠEVIĆ:

Let's not have them say: "They've pensioned the only Albanian general; they're racist."

Momčilo PERIŠIĆ:

We have General Taso ENES. He has not been included here. He's undergoing treatment. That's an exceptional man but he's undergoing treatment and is not fit to serve in the Army. We have left him, however; he's Muslim.

Slobodan MILOŠEVIĆ:

I wouldn't pension Velibor JOVANOVIĆ, either. We have heard from everyone that he's a good officer and a good man. He's intelligent and capable. If he's ill, that's not so terrible – he's the Chief of the Security Training Centre. One needs intelligence and not a great deal of energy there.

Momčilo PERIŠIĆ:

All right, we won't pension him. This is why I proposed that he should retire; when the new law goes into effect, an officer cannot remain without having an appointment somewhere.

Zoran LILIĆ:

Let him be in charge of the Intelligence Administration.

Slobodan MILOŠEVIĆ:

Why don't you appoint him to the position of Chief of the Intelligence Administration; you have no one there, isn't that right?

Momčilo PERIŠIĆ:

We don't have anyone. He's not for that position, but all right, he can go there!

Slobodan MILOŠEVIĆ:

Given that he's the Chief of the Security Training Centre, these are people who are qualified for this.

Second, we can change the establishment post of the Security Training Centre and put him down as a Major General. That has always been a general's post.

Momčilo PERIŠIĆ:

We can do that; he still has two years until he retires.

Slobodan MILOŠEVIĆ:

He's a good man, honest and capable. We have no reason to pension these two men. However, I would not pension this *Šiptar* /derogatory term for Albanian/.

Zoran LILIĆ:

So DAMJANOVIĆ and RADOJKOVIĆ are to be pensioned.

General KRASNIĆI does not fulfil the requirements for retirement and it would be even worse if he were to retire now.

Momčilo PERIŠIĆ:

He fulfils the requirements under the new law.

Zoran LILIĆ:

The new law has not yet entered into force, and we're /retiring men/ pursuant to the new law.

Radoje KONTIĆ:

What do you mean, it has not entered into force, when we're already getting ready to change it?

Zoran LILIĆ:

So, Ismet KRASNIĆI and Velibor JOVANOVIĆ will stay, and Radomir DAMNJANOVIĆ and Mihailo RADOJKOVIĆ will retire.

Do you agree? (Agreement).

Momčilo PERIŠIĆ:

What about promotions?

Slobodan MILOŠEVIĆ:

Let's accept the proposal put forward by the Chief of the General Staff.

Zoran LILIĆ:

Do you agree that we accept the proposal to promote seven colonels to the rank of major general? (Agreement).

Let's move on, General.

Momčilo PERIŠIĆ:

I have another question related to the retirement of colonels who are under decree. They are:

– MIJOVIĆ from the 2nd Army who could not be appointed assistant for various reasons; instead, BOJOVIĆ remained in that position. He's an exceptionally good man. We suggest that he retired but that he should be promoted before he retires, that is to say, he should be promoted and retire under the same decree.

Momir BULATOVIĆ:

I am familiar with that case. I think that an injustice was done to that man.

Momčilo PERIŠIĆ:

That's why he /turned to us/.

The second case is that of Vojislav BABIĆ, who works in our Command. He is in a similar situation.

Slobodan MILOŠEVIĆ:

I am afraid that if we begin that practice of retirement with promotion, a certain number of generals whom we have pensioned will seriously consider the request, before their active military service ends on 31 December, they will seek a promotion, especially those who fulfil the conditions needed.

Momir BULATOVIĆ:

I know about MIJOVIĆ's case. He is a victim of those irregularities as a result of which we are now retiring DAMJANOVIĆ. This would be an improper way of dealing with this man. We have to rectify that injustice, just as we have in DOMAZETOVIĆ's case. Objectively, this has to do with other people being to blame, as a result of which he could not be promoted; he wasn't appointed to the post where he was supposed to be appointed; instead, BOLJEVIĆ came, whom we recently pensioned.

Momčilo PERIŠIĆ:

He was brought back from retirement to that position.

We said, the other one is Vojislav BABIĆ who doesn't have to be and has no special merits.

The third is Vlastimir GLIŠOVIĆ.

The next is Ilija VIDENOVIĆ who is an exceptionally good man; he's retiring because of illness.

Nikola ZEČAR is the next.

Slobodan MILOŠEVIĆ:

Would all of them be both promoted and pensioned?

Momčilo PERIŠIĆ:

Not all of them now, because I'm now amending my proposal in view of your positions.

So, I am proposing that MIJOVIĆ and VIDENOVIĆ go, and that we don't opt for this with respect to the other three.

Zoran LILIĆ:

So, we accept the proposal for MIJOVIĆ and VIDENOVIĆ.

Momčilo PERIŠIĆ:

The other three should retire as colonels.

Zoran LILIĆ:

All right, do you agree with that? (Agreement).

General PERIŠIĆ is entrusted with preparing a complete survey and proposal for the next session.

Momčilo PERIŠIĆ:

I would propose for the next session that we promote army commanders and certain other prominent officers. I think it's better if we review them one by one instead of the whole lot all at once.

Zoran LILIĆ:

We also need to resolve this issue of colonels; there are around 2,000 colonels, isn't that right?

Momčilo PERIŠIĆ:

There are 1,700 colonels. We could resolve the question of around 500 of them now; I am going to settle this without you, because this falls within my jurisdiction. On 26 November I will just inform you how many of them have been retired.

Slobodan MILOŠEVIĆ:

I'd like to add something. PERIŠIĆ has a negative stand on the issue. It would be a good thing if we were to think about this a bit; I'm not convinced that this is the best position. We now have a Chief of the General Staff who is a Lieutenant General. This was never the case and this is a post for an army general as the highest-ranking officer. His position is that he needs to wait until the beginning of November to propose the promotion of the Commander of the Army; that is correct. The Commander of the 3rd Army has several major generals under his command and he, too, is a major general; it is logical that the Commander of the Army should be given the rank of Lieutenant General.

We now have several lieutenant generals. We will find ourselves in a situation that on 5 November the promotion of the Commander of the 1st Army to the rank of Colonel General will be proposed to us; that is logical and that's an establishment post. I don't know, should some kind of distinction, at least a temporal one, be made between the Chief of the General Staff and the other promotions of generals? Should we wait for that? Does General PERIŠIĆ have any special reasons for us to wait for

that? There are now five or six lieutenant generals who are under his command; some of them are even older than he is in terms of having been promoted by him to the rank of lieutenant general.

Momčilo PERIŠIĆ:

Both formal and fundamental authority exist in the Army. As far as this is concerned, rest assured – I would not have more authority if I obtained a rank, and I have an important reason for that not to happen now. The basic reason is that we shall propose to you what the size of the Army should be so that you can adopt this at one of the forthcoming meetings, and so that you can see what this will look like and to what extent; then you can decide. I told you at the start: I assumed this duty exclusively out of the need to contribute, principally to the Army, and to you and society through my work, and to bring to a halt the negative tendency of war spreading to this area, primarily from the inside and also from the outside.

I'd like to ask you to postpone this for the next session.

Momir BULATOVIĆ:

I agree with what Slobodan MILOŠEVIĆ has said, but I understand the General's reasons.

Slobodan MILOŠEVIĆ:

All right, I'm not against it. The only thing was that I thought it would be good if we were to think about it. If PERIŠIĆ has his reasons, we'll respect them; November is not very far away.

Zoran LILIĆ:

My opinion was that we should have promoted him at the last session. However, taking into account everything that you have said, it's not an issue if this is postponed for November.

With this we will conclude this part of the meeting.

The Prime Minister and the Minister of Defence have some questions.

Radoje KONTIĆ:

I have two questions related to the Army.

The first question has to do with the official aircraft of federal organs. We have official aircraft in two places – in the Federal Government and in the Yugoslav Army. In the Federal Government we have a Falcon and two Leer jets. In the Yugoslav Army, we have a Falcon, a Leer jet and three JAKs.

For half a year now I have been conducting a campaign to unify this, within the framework of the official aircraft of federal organs. I think that the costs will thereby be significantly reduced, flight efficiency improved and the aircraft will be better used.

In PANIĆ's time, the General Staff was against this solution or rather, it accepted it in a way, provided that our aircraft would be added to theirs, so that they would have all the official aircraft. I don't think this is logical. If they have to have one or two planes, that's another matter.

That's the first question.

The second question is related to the Army. Without my knowledge – and it may be my fault – the Federal Directorate of Supply and Procurement has been

transformed into a holding company. Let's clear this up so we can see how this was possible.

Zoran LILIĆ:

They went a step further – they're now preparing to become a mixed company.

Slobodan MILOŠEVIĆ:

They want to privatise it!

Radoje KONTIĆ:

I must admit that I wasn't aware of this. I think that a report on this should be urgently prepared. They couldn't do anything without the Federal Government's approval.

Momčilo PERIŠIĆ:

I will prepare a written report for the next session.

Zoran LILIĆ:

Every possible transformation should be stopped.

Slobodan MILOŠEVIĆ:

If there's something that's a state affair, this is it. What do you mean, a holding company?

Radoje KONTIĆ:

I'd like to ask you that we settle the official aircraft question.

Momir BULATOVIĆ:

I think it's wrong to unify this. We should make a distinction. The Army uses passenger aviation according to its purpose. For me it's not a question of the legal owner; it's a question of centralisation, maintaining and procuring spare parts. As far as its use is concerned – who will decide, whether it will be your clerk, whether some general or colonel will fly in the aircraft, or whether the situation will be the opposite – we may have to apply to some colonel when we want to use the aircraft. We'll create a conflict and it will never be settled.

I'm in favour of unifying the two instead of having repairs done and spare parts collected in two different places. These are standard aircraft. Maintaining them is one thing, and using them another.

Radoje KONTIĆ:

Absolutely! I think that we are using the aircraft uneconomically and that it is essential to unify it. I think, however, that the aircraft should not just be used for flights by state officials. Instead, the aircraft should be used to the greatest possible extent to earn money, provided that the state has priority at every moment. We can use the aircraft to earn revenue for the budget.

Zoran LILIĆ:

With respect to the question of official aircraft a written report should be prepared and we should discuss this at the next session.

As far as the Federal Directorate of Supply and Procurement is concerned, I suggest that all further transformations be stopped. A comprehensive report should be prepared.

Momčilo PERIŠIĆ:

Who is going to give them an order for that, since they belong to no one?

Slobodan MILOŠEVIĆ:

They cannot not be under anyone's jurisdiction!

Zoran LILIĆ:

They still have "*Jugoimport*" in their name as the Federal Directorate of Supply and Procurement; they have retained everything they had earlier, without anyone's agreement.

Slobodan MILOŠEVIĆ:

That's state-owned property!

We now have a situation where colonels are working in a holding company.

That's impossible!

Slobodan MILOŠEVIĆ /as printed/:

That's impossible! Raja, get it back!

Pavle BULATOVIĆ:

They have daughter companies in Singapore.

Momčilo PERIŠIĆ:

They were founded on the basis of an enactment of the Federal Executive Council.

Slobodan MILOŠEVIĆ:

If it was founded on the basis of an enactment by the Federal Executive Council, then he will decide that the Federal Executive Council enactment will cease to be in effect and that's it.

Radoje KONTIĆ:

That's couldn't be done in the period since I've been here. It had to have been done earlier, during PANIĆ's and MARKOVIĆ's time.

Zoran LILIĆ:

All right, let's prepare a report for the next session.

Radoje KONTIĆ:

I have two more questions related to the two presidents.

We have developmental and social functions for employees who remain without work. Developmental functions as a whole are at the level of the federation; then you have regional development, and then scientific and technological development. As far as social functions are concerned, it is this which is related to Article 45 for those who remain jobless. So far, the republics have not accepted that this should be transferred to the level of the federation. Last year, we worked on a

whole series of laws. It took up a lot of our time, but we don't have the means at the federal level to implement this. We can only take it over at the level of the federation if the republics secure the funds. The direct revenue are customs duties which are non-existent and the amount given to us by the republics in the form of sales tax.

I wish to ask you in this regard that we begin the discussion today or, if necessary, that we prepare a special report.

The second question is the question concerning holidays. The 29th of November is here; last year we didn't adopt this at this time. We have a Law on Holidays; a new one is being drafted. We have suggested that there should be four holidays: 1 and 2 May should be a holiday, New Year's should be two days off, Statehood Day on 27 April and Victory Day on 9 May. New Year's Day, 1 May and Statehood Day would be nonworking days, while 9 May would be a working day, even though it is a state holiday.

The 29th of November is here and again we will have two nonworking days, unless we address the matter. It is not enough for the SPS /Socialist Party of Serbia/ and DPS /Democratic Party of Socialists of Montenegro/ - agree; ŠEŠELJ certainly won't agree.

Slobodan MILOŠEVIĆ:

He's asking for Easter, Christmas and St. Vitus Day.

Radoje KONTIĆ:

He can't do that under the Constitution, because the church is separate from the state.

Momir BULATOVIĆ:

Christmas is celebrated in every country, even though the church is separate from the state.

Radoje KONTIĆ:

This is regulated by republican law.

Slobodan MILOŠEVIĆ:

I think that we can agree with Raja's proposal on the holidays.

Zoran LILIĆ:

All right, we agree.

Radoje KONTIĆ:

The second question is the developmental function of the federation.

Slobodan MILOŠEVIĆ:

What is the developmental function of the federation?

Radoje KONTIĆ:

The federation was granted development under the new Constitution. Then we have regional development, and then scientific and technological development.

Perhaps it would be good if I didn't bother you with this now but check with the prime ministers first.

There are various forms of compensation, premiums, investments into the development of individual branches, regional development, and so forth.

Slobodan MILOŠEVIĆ:

That has to be a federal function.

Radoje KONTIĆ:

It is not contentious as a developmental function but at present it is not being carried out anywhere. We cannot carry it out now because we don't have the funds; the republics don't have the funds. We need to think about this further. I'll prepare this with the prime ministers and then we'll discuss it.

Momir BULATOVIĆ:

The central problem is that the republics cannot deprive themselves of part of the sales tax. When we asked that that part, because of the temporary unemployment as a result of sanctions, be resolved on the level of the federation, this was not accepted by the Assembly. The SPS /Socialist Party of Serbia/ did not support such a stand by the DPS and there is no need for us to bring this up now when the situation is as it is; it won't pass.

Radoje KONTIĆ:

All right, let's not get into a confrontation in the Assembly. I'll see about this with the prime ministers.

I have another question. This has to do with the pardoning of Rajko MEDENICA.

He has recently developed a whole series of activities with the Serbs and Montenegrins; he fulfilled all the obligations that he was held responsible for. He wrote a letter to Clinton on the occasion of the letter written by 100 intellectuals; Clinton replied. He's ready to launch a big action in Montenegro and Serbia.

I suggest that he be pardoned. Momo agrees, I think?

Momir BULATOVIĆ:

I asked Slobodan to have this done a long time ago.

Slobodan MILOŠEVIĆ:

I'll ask the Justice Ministry to give us all that, so that we can see what the situation is under the law.

Momir BULATOVIĆ:

Pursuant to current legal regulations, Slobodan MILOŠEVIĆ has to grant the pardon. Slobodan, you have not rejected the pardon. You were not in favour of it or against it.

Slobodan MILOŠEVIĆ:

I'll ask that they get this ready for me immediately, so that I can see what this is about.

Momir BULATOVIĆ:

In addition to what Rajo said, he has really acted in a patriotic manner recently. The accounts are clear here. He wants to come to the Institute in Igao. He

would give therapy to our people. Every person who goes abroad, and a huge number are going from Serbia and Montenegro over there and spending 20,000 or 30,000 US dollars. We're paying for all this from our social insurance funds. He asked to come at his own risk; he's just asking that we guarantee that he won't be arrested.

Since he's has good relations with the US authorities, they told him that as a US citizen he should not come and see us, because there was a risk of our arresting him. He's a very influential, powerful and wealthy man; he's prepared to help.

Slobodan MILOŠEVIĆ:

I'm going to ask that they get this ready for me right away today so that I can see what it's about. He has been sentenced in two states.

Momir BULATOVIĆ:

He has settled his debts. Montenegro has renounced its part. He has squared his accounts with Serbia with his money.

Zoran ILIĆ:

All right, Pavle, what do you have?

Pavle BULATOVIĆ:

One of the questions is the Karlovac group case.

Slobodan MILOŠEVIĆ:

What is the Karlovac group?

Pavle BULATOVIĆ:

It's a group of nine Serbian citizens who were volunteers in the Army of the Republic of Serbian Krajina; they were captured and received a twenty-year sentence.

Momir BULATOVIĆ:

Excuse me, but since I have to leave at 1530 hours, could we discuss this issue during lunch?

Zoran LILIĆ:

All right, we can.

(Session concluded at 1430 hours).