

Milosevic Trial: Puppet States Financed From Belgrade

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Witness claims that over-production of bank notes was used to support Serb-held areas of Bosnia and Croatia.

Milosevic's Serbia provided direct financial aid to keep the Bosnian and Croatian Serb republics afloat, the war crimes tribunal was told last week.

Prosecution expert Morten Torkildsen told the Milosevic trial that after war broke out in 1992, money poured into both the Bosnian Serb republic, RS, and the Croatian Serb republic, RSK.

The flow of cash to the puppet Serb regimes only stopped when Belgrade slammed the brakes on the printing of money, as it was fuelling hyperinflation.

"When the printing of money was brought to an end in January 1994, it was obvious the aid for RS and RSK diminished," said Torkildsen.

And the officers of the Bosnian Serb Army - VRS - were paid not from Bosnia, but direct from Belgrade, a practice that Torkildsen said continued until 2002.

Torkildsen was hired by the prosecution two years ago to review ten thousand pages of documents concerning financial transactions between Serbia and its parent state, Yugoslavia, on the one hand and RS and RSK on the other.

Prosecutors want to use his evidence to prove that although Milosevic, as president of Serbia and later Yugoslavia, had no formal connection to the rebel states, he effectively controlled them through being their paymaster.

Torkildsen said that both entities depended exclusively on Belgrade's largesse. "I have not seen any other external source of finance for RS and RSK," he said.

Milosevic's defence was an unusual one: he agreed with the assessment, "It is not in dispute that RS and RSK asked Yugoslavia, Serbia and Montenegro for aid. It is not in dispute that they received it. Who else could they ask?"

But this was the only point on which he and the witness agreed on in a marathon three-and-a-half hour cross-examination.

Torkildsen said his research showed there was a "single financial plan" from which all three armies - Yugoslavia, RS and RSK - were financed.

The plan began in 1990 when Yugoslavia suddenly started to substantially increase production of bank notes - 80 per cent of which went to the national army.

Not everyone was happy: the then federal prime minister Ante Markovic resigned over the move, saying the economy could not support it and warned it would lead to inflation.

The witness agreed there was no evidence that Milosevic - then president of Serbia, the biggest Yugoslav republic - supported the plan.

In fact, transcripts of a meeting of the Yugoslav presidency of the time showed Milosevic opposing it - by voting against a plan to lower the amount of reserve money commercial banks were forced to hold.

These reserves, called compulsory reserves, meant that fresh currency could not be printed unless it was backed by something - such as foreign funds or gold.

Torkildsen said over-production of bank notes was one of Belgrade's main sources of financial support for Serb-held areas on Bosnia and Croatia.

Later, rather than provide funds directly, the National Bank of Yugoslavia gave it as loans to the central banks of RS and RSK.

Documents highlighting the transfers show that on one occasion Belgrade allocated two billion dinars for the areas of Banja Luka and Bijeljina; one billion for Zvornik and Tebinje and five hundred million for Foca and Sokolac.

All of this money was backed by nothing more than thin air, with the result that the value of the dinar plummeted.

A document dated September 30, 1993, shows the Yugoslav defence ministry telling RSK that more than 480 billion dinar - then worth 5.6 million German marks - has been approved for the aid for RSK.

Torkildsen concluded that Milosevic was personally involved in the decision to financially support Serb-held districts in Croatia and Bosnia.

He also provided evidence of the defendant's involvement in helping to secure them militarily.

In 1992, the Yugoslav army left stockpiles of equipment behind in Bosnia for the Serbs.

In a report to the RS national assembly, referred to by Torkildsen, the commander of the RS Army, General Ratko Mladic said, "Our army is one of the rare ones in history to have started a liberation war with a very solid material base."

At a meeting held in his office in November 1992 with RSK president Goran Hadzic and interior minister Milan Martic, Milosevic agreed to a draft plan on the entity's defence and said he would instruct federal forces to support military and civilian personnel who remained in Krajina, Torkildsen revealed

He also produced a letter sent to Milosevic by Hadzic, in June 1993, in which the RSK president issued a long wish list of military equipment he wanted.

It ends with an appeal for Milosevic "to use his authority and influence (to realise) our demands".

Torkildsen also used Milosevic's own declarations to support his evidence.

In April 2001, Milosevic, in jail in Belgrade and facing charges of embezzlement, had made a statement saying the money he was accused of stealing had been sent to support the RS and RSK armies.

But in cross-examination, Milosevic said that in fact the embezzlement charge related to money sent to the armies in 1994 and 1995, not during the 1992 and 1993 – the period in which he is charged with war crimes.

Milosevic was not finished: he insisted that he had given the money as aid – and had not tried to control how it was spent. "Who decides how to distribute the aid: those who give it or those who receive it?" he said.

But Torkildsen retorted, "It should be clear to those who give aid that a large part of it used for the army."

Emir Suljagic is an IWPR reporter.

Location: [Serbia](#)
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[Bosnia and](#)
[Herzegovina](#)

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