

M I N U T E S

of the 258th open session of the Government of the Republic of Croatia, held on 7 August 1995 in the Government's conference room, St Mark's Square 2.

Commenced at 1352 hours.

Chaired by: Nikica VALENTIĆ, Prime Minister of the Republic of Croatia.

PRIME MINISTER:

Ladies and Gentlemen, I hereby open the 258th session of the Croatian Government with the proposed agenda. I propose that the following item be added to the agenda: POSITION TO BE TAKEN BY THE GOVERNMENT OF THE REPUBLIC OF CROATIA IN VIEW OF THE STATEMENTS MADE BY CARL BILDT, THE CO-CHAIRMAN OF THE PEACE CONFERENCE ON THE FORMER YUGOSLAVIA. I propose that this item follow item number five, in other words, that it be number six. I also propose an amendment to item number three, but we can discuss that when we get there. Draft decision on the powers of commissioners of the Government of the Republic of Croatia to establish local self-government in the liberated units of local self-government. Are there any other amendments to the agenda? If not, I hereby establish the amended agenda.

Let's move on to item number one - TASKS OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA IN THE NEW SITUATION CREATED BY THE LIBERATION OF OCCUPIED TERRITORIES. Allow me to say in this item, for the very first time, on behalf of the Government and myself, without reservation, that what has been happening during the past several days constitutes one of the most important historical moments in Croatia's entire history because the liberation of these Croatian territories actually means the liberation of the major part of Croatia. Croatia is a compact, sovereign state, a stable state, a state which has proven its strength in the military, political, economic and any other field, and as of today nothing in Croatia is the same as it was several days ago. This is a fact. Also, in the wake of these truly brilliant military and police victories follow real life and real problems. Every minute of the day this Government will have to face real problems and it is up to us to achieve the same success in civilian and economic sectors as our governmental departments did during the liberation of the occupied territories. We therefore have ahead of us a perfect organisation, productive work, if we wish to restore most of the civilian life in the newly liberated territories in the several coming weeks, and we already have a goal we need to achieve: to restore life in most Croatian cities and villages by this autumn. The Government aims to start the school year in most Croatian cities and villages, open various factories, repair the oil pipeline, organise agricultural works and the autumn planting and all other departmental obligations that lie ahead of us. When we come to specific tasks listed under item number three, you will see that the Government has not given up on achieving the best possible results this tourist season because we believe that all conditions have been met for this tourist season to improve and that already next weekend the number of tourists entering Croatia will exceed the number of those leaving, so in the second half of August and in September we will probably have a good tourist season.

I think that, in spite of all our problems and the huge additional expenses incurred by this operation, in addition to the expenses currently incurred by the opening of railroads, roads, and by publicly-owned enterprises, the economic effects of this operation will be invaluable and next year we will see Croatia's economy soar. For the past three days we have been drafting macroeconomic assessments and we believe that next year Croatia's GDP will increase by at least ten billion kunas, or approximately two billion US dollars, which will create realistic preconditions for investment and more effective economic growth. Of course, we need to define everything now, to see how economic growth will move, within which deadlines and in which branches. This is a task for our economic departments and it will be co-ordinated by Deputy Prime Minister ŠKEGRO because this is his main task. The day before yesterday, after the first operation, we already assigned tasks to all ministries and publicly-owned enterprises which fall within the ministries' scope and competence, to start creating, for now, minimal preconditions, and within ten days, normal preconditions for people to return to the newly liberated territories.

Under item three we will assign concrete tasks to each minister, each ministry, as well as deadlines by which they must finalize parts of tasks which fall under their jurisdiction. In order to /?prove themselves/ and as a government which will, in these circumstances, monitor on a daily basis the execution of tasks assigned to individual ministries and the work of the Government as a whole. At today's meeting of the cabinet we decided that our first inspection of the execution of tasks about to be distributed today to individual ministers will be at the Government's session to be held in Knin around 1 September this year. We will thus show that we have a feeling for these areas and a political feeling for resolving problems in the newly liberated territories. This will not be a political session of the Government, but a working one, the way we used to have, if you remember, during certain economic crises in various parts of Croatia, when we used to resolve all current problems on the spot.

From a distance of three weeks we will be able to see the additional problems in Driš, Knin, Petrinja and all liberated territories and, probably by 1 October, establish normal life in those territories. I therefore ask you to grasp the historical responsibility borne by each and every minister, each and every ministry, and this Government, for the civilian and economic storm we must carry out in the coming several weeks.

It is our responsibility to show that this state, that this Government, is up to the task and that it can meet all the criteria. We believe that we can and must bring back at least 50,000 to 60,000 people to the newly liberated territories within a month, maybe all 100,000 of them by the end of the year, even though all estimates made by Deputy Prime Minister RADIĆ indicate that certain towns, certain villages, will need up to a year to be fully reconstructed, but you'll hear more about that when we come to the item where tasks will be assigned to individual ministries. So, please, take this as an introduction, let's hear under item number two the most recent information from the state ministers on the military and political security situation, and then under items three and four, we can launch a discussion on all tasks to be given to individual ministries. If I could first ask Minister ŠUŠAK to inform the Government and, this being an open session, the entire public as well, on the current situation.

Gojko ŠUŠAK:

Prime Minister, seeing that this is the first statement at a public session of the Government, you have been informed, in accordance with the order issued by the

President of the Republic, we embarked on the liberation of the occupied territories formerly known ...

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as Sector North and Sector South, Prime Minister. In keeping with the state policies, the operation was supposed to dissect the territory without touching populated settlements, hoping that the Croatian citizens who had been led astray during these four years would decide to surrender and be voluntarily incorporated into the constitutional and legal order of the Republic of Croatia. After the first day of the operation, Prime Minister, we had not taken a single town in the area, we kept avoiding them, giving them a chance, but it turned out that, instead of surrendering, they started shooting in all towns bordering the free territory of the Republic of Croatia. We changed our plan, started mopping up the terrain, Sir, the terrain, Prime Minister, and judging by the way things were at 1200 today, it is our estimate that the entire territory of the Republic of Croatia in these two sectors, as they used to be called, will be under the control of Croatian forces by 1800 or 1900 hours. As agreed, we are co-operating with the police and as the army advances inwards, the police come after the cooperation of the military and civilian police, taking over and establishing police stations, and this co-operation is functioning quite well. I would like to use this opportunity to publicly express my gratitude to my colleague JARNJAK for his truly great co-operation. At the same time, I would like to apologize, since you are assigning a great deal of tasks to our colleagues the ministers, for having mobilised a large number of people and would like to announce that, in agreement with the President of the Republic, I will be signing today, effective at 0800 hours tomorrow, the demobilisation of 70,000 men whom you will have at your disposal to deploy within your jurisdiction. Prime Minister, the operation proceeded according to plan, even somewhat faster than we had planned, four days had been planned to cut them off and another four to mop up the terrain. Chances are that we will finish everything in these four days. There has been a minor incident, an incident insofar as it is symptomatic that this is not the first time that we, at the intervention of the UNCRO General /PETERS/ who is the commander here, he approached General ČERVENKO, asking that in Sector North, i.e. from Karlovac all the way to Dvor na Uni, where two corps of paramilitary forces were still stationed with an enormous quantity of weapons and a huge number of civilians, and we had been avoiding coming into contact with them during the entire action /as printed/. They said he was coming, that they were willing to surrender, provided everyone be allowed to pass through. We agreed to it, Prime Minister, General ČERVENKO signed it around midnight last night only to have UNPROFOR, UNCRO, who were supposed to show up this morning at 0600 hours, fail to show up, not even by 0900 hours, and by that time all of them, at least those east of the city of Glina, managed to pull out their men and technical equipment. We changed our orders, aware that neither of the two parties was adhering to the agreement. We will continue mopping up the area with military forces, Prime Minister. I repeat, our estimate is that what is called military operations should cease by 1800 - 1900 hours tonight. There might still be some minor mopping up to do, but the military operation will mostly be over.

PRIME MINISTER:

Thank you. Minister JARNJAK, the floor is yours.

Ivan JARNJAK:

Prime Minister, let me first also thank Minister ŠUŠAK on his co-operation, it has proven to be excellent in all such operations, and the co-operation between the Ministry of the Interior and the Ministry of Defence is usually... I think that, in the end, good co-operation definitely contributed to the operation's effectiveness. The Ministry of the Interior is doing its part of the work, the police is taking over, as Minister ŠUŠAK said, as the army and the military police go in ahead, together with the special forces, they are followed by the regular police who assume control over the security, public law and order, that is. I can say with great pleasure that I visited a large part of the liberated territory, you enter towns like, for instance, Gračac or Drniš, there practically isn't a single destroyed house, it's all practically in the same state it was left in, the way it was, and I have to say that this is a great wealth that must urgently be used the way it will be used later on. Civilian Protection is also coming in, their task is to clear up the area, in particular the large number of cattle which will urgently have to be dealt with and I think we could have problems with that. The fire department is also coming in to clear whatever is left to be cleared, I think that the operation and the second part, the initial introduction of the civilian authorities, is proceeding well so far and I believe that it will all be done within the given deadlines, as the army does the first part and the special forces complete the second part, the police is already present in the entire occupied, formerly occupied territory, because we engaged, I have to say this, a large number of police officers, a sufficient number to be able to absolutely guarantee safety in the area. Thank you very much.

PRIME MINISTER:

Thank you. Deputy Prime Minister and Minister of Foreign Affairs Mate GRANIĆ.

Dr. Mate GRANIĆ:

The political decision to launch a military and police action was brought after the failure of the four-year negotiations with the Croatian Serbs in the occupied areas, after the failure of both the UNPROFOR and the UNCRO in the exercise of their mandates and in order to help Bihać which had been vitally endangered by both the Croatian and the Bosnian Serbs. It was, as my colleagues, the ministers of defence and of the interior said, a large-scale operation and it should be noted that there were political pressures on the first day, a presidential statement of the Security Council and of the European Union was made to the effect of suspending negotiations on trade and cooperation and the FAR programme with the Republic of Croatia for a certain period of time, but those political pressures were, I would say, significantly lesser than had been the case with the operation in Western Slavonia. There were also expressions of strong support. It should be mentioned that there had been speculations as to whether anyone had given the green light for this operation, no one had given the green light, it was our autonomous decision and the President had brought the decision in accordance with his own assessments. The pressure that first day was along the lines of stopping the action. On the second day there were no more pressures of that kind, on the second day there was substantial criticism, on the part of those who were not favourably disposed to us, of specific behaviour towards UNCRO members;/ according to our data, only in one case against members of the Danish Battalion a commander of a smaller unit violated, did not behave correctly, and he was deprived of liberty and that case is being investigated, there were no other cases of violations of the Rules of Service.

With regard to the consequent media pressures, after that they were to the effect that columns were being fired at and that it was a massive ethnic cleansing, and figures were manipulated with, however all this practically ceased and the number increased of those offering congratulations and those saying

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... that this action would also help solve the problem of Bosnia and Herzegovina and precisely the speed of the action attests to the discipline of our army, shows that Croatia is an organised state, a state which observes international humanitarian law and President TU\MAN from the first moment invited our citizens of Serbian ethnicity to stay and accept also the Law on Amnesty, abolition, to surrender their weapons, and after that the Government followed suit. Therefore, we did everything to have the Serbian population remain in their homes and we shall also invite all those who have not violated the norms of the international law of war, i.e. those who have not committed war crimes, to return.

We believe that cooperation with the European Union will continue. Pressure might be exerted once again through a resolution of the Security Council, but we do not expect any further political damage, on the contrary we expect major gains, not only for the Republic of Croatia, but we expect that after this historical day it will be realised that Croatia can make the greatest contribution to the establishment of lasting and definitive peace in the region.

PRESIDENT:

Thank you. I close item 2. We shall move on to item 3, perhaps the central item on today's agenda, for a whole series of specific tasks for each individual ministry lies ahead. Namely, during these past three or four days the Government, or I on behalf of the Government, have adopted, in accordance with everything that they have /part of sentence unclear/, hundreds and hundreds of decisions which have already enabled the establishment of initial civilian forms of life in the newly-liberated areas, and are now awaiting us after all these assumptions that the military and political actions will end today. More specifically, operational measures for the establishment of civilian life and the return of returnees, no longer exiles, to the newly liberated areas, and I would therefore like to ask all the ministers and all the departments to inform us, very briefly but in-depth, what they have done and what the obligations are and what the deadlines are, for I will request daily written and oral reports from each minister on the discharge of obligations within their respective purviews. I will call out the names of the ministers, so that we may speak in turn. First, Minister MUDRINIĆ, for this is a very important area, which logically comes first – roads, railways, the postal service etc. You have the floor.

Ivica MUDRINIĆ:

Thank you Mr. President. Allow me first of all to say that I absolutely agree with your statement that this liberation not only enables the restoration of regular, normal life to these areas, but that it also has a major effect on the economic stabilisation of Croatia and creates prerequisites for Croatia to be really competitive in its domestic, and naturally also in the world markets, for without quality connections

with Dalmatia, without the integration of these areas, it had not been possible to develop either tourism or, it goes without saying, other branches of the economy. With regard to the actual connections, Dalmatia is now finally, or will be in a few days, once again adequately connected both in terms of railways and roads, and I believe that the effects of this on the whole state are significant. We have set up staffs for individual areas within our Department, namely a staff for the restoration and establishment of railway traffic on the Zagreb – Knin – Split line, and have, naturally, included Šibenik and Zadar as well as Kostajnica in that. We also have another staff for the repair of roads in these areas where we have set priorities and which I will speak about in a minute or two, and a staff for the establishment of telecommunications in these areas, and now for something more specific. There have been cave-ins on three tunnels on the Zagreb – Knin – Split line and we estimate that when an official survey is conducted, i.e. when access is ensured, that it will take us some 7 to 10 days to repair this damage and we believe this to be a critical route. So, we expect the first train on the Zagreb – Knin – Split line by the end of next week.

In addition, we have already started forming area units of Croatian Railways in all these places. This means a return to Knin, Gračac, Drniš, and a team is already in the field to inspect the railway cars and engines which have remained in Knin. Fortunately, thanks to the speed of the operation, the equipment was not pulled out, so that we reckon that at least 50% of what has remained, because it has been out of use for a long time, that at least 50% will be operational very soon.

As I have mentioned, our workers have already been dispatched there. A unit has been set up and repairs on the railway stations will start these days. With regard to roads, we have established, naturally, the staff has already held meetings, we have established priorities. We have some 15 sections of main roads which are necessary, and they are for example Karlovac, Gračac, Knin, Sinj, Split, Tušilović, Vojnić, Glina, Petrinja, Sisak, Petrinja, Hrvatska Kostajnica, Glina, Dvor na Uni, Vojnić, the border of Bosnia and Herzegovina towards Velika Kladuša, Rakovica, the border of Bosnia and Herzegovina towards Bihać, Otočac, Gospić, Gračac, Otočac, Korenica, Sučevići, Lapac, the border of Bosnia and Herzegovina towards Bihać, Gračac, Obrovac, Karin, Zadar, Obrovac, Maslinica, Zadar, Karin, Benkovac, Drniš, Kosovo, Knin, Drniš, Oklaj, Knin, Benkovac, Šibenik and Drniš, Šibenik. With the reconstruction of these roads, i.e. the repair of these cave-ins, landslides, etc., of small bridges and the asphalt and holes, then signalisation, we shall have a very high-grade link towards Dalmatia as I have already said. Also of course towards Herceg-Bosna and Bosnia and Herzegovina which until recently depended exclusively on a pontoon bridge for its links and supplies. With regards to telecommunications, let me say right away that the Drniš, Benkovac and Petrinja exchanges functioned already yesterday, and the first links with Knin have been set up today and the exchange they left behind when they retreated is being repaired. The Šibenik – Drniš - Knin telecommunications system is already before, it is working in Drniš and will be working in Knin during the day. Kostajnica, Dvor and Glina will also be operational today, and the other places and towns within 7 to 10 days, and most of the areas within a month. Therefore, the entire team of Croatian post offices and telecommunications has been deployed in the field, we have moved technical teams from Rijeka, from Zagreb, from Zagorje, from Slavonia to these areas and repairs are proceeding very well. Also, the staff is working around the clock. Needless to say, the

HPT /Croatian Post & Telecommunications/ has been working 7 days a week since last week, namely all HPT services on Saturdays and Sundays as working days until this first stage of repairs on post offices and telecommunications in these areas is finished. That would be all.

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PRESIDENT:

Thank you. Minister VIDOŠEVIĆ, and then Deputy Minister of Agriculture, ŠEDA should get ready. You have the floor, VIDOŠEVIĆ, then ŠEDA.

Nadan VIDOŠEVIĆ:

Mr. President, after the first successfully undertaken actions to protect important industrial facilities in the zone of war operations we are now making preparations to activate various economic entities in the areas that had been occupied, clearly some prerequisites are necessary in terms of payment transactions, the generation of some working capital and everything that is necessary, and also people for certain economic activities which we believe can realistically start within the next two weeks.

PRESIDENT:

Tell me, specifically with regard to the pipeline, do you have any estimates?

Nadan VIDOŠEVIĆ:

I think it will be in operation in the shortest possible period of time.

PRESIDENT:

If not, see right away with the army and police at which stage of being liberated, then the route, testing, for that is one of our most important strategic and economic entities for supplying large parts of neighbouring countries.

Nadan VIDOŠEVIĆ:

Large systems are directly permanently connected in a mini staff of the Ministry of the Economy, we are monitoring developments and things will depend on /word unknown/ and that part of the problem is one of the active problems and we shall clearly ask for the support, primarily of the police for that activity, but I think that, as I said, the estimate is that in the next two weeks or even earlier a number of those activities will be completed.

PRESIDENT:

Under item 4 we shall issue assignments to the Ministry of Reconstruction and the HAKBO /expansion unknown/ concerning credits and the minimal resources necessary for crediting some businesses and smaller plants, and, of course, for financing those branches, and under this item Minister PENIĆ will speak about the activities of his Ministry, the Privatisation Fund, which as the owner, must see to things, from the establishment of managing boards, directors and the commencement of production in those plants.

Thank you very much, now ŠEDA and then Finance Minister PRKA about administrations, revenues and finance.

Antun ŠEDA:

Mr. President, the Ministry of Agriculture and Forestry has made a programme of activities in the liberated area in the field of animal care, the '95 autumn sowing, the harvesting of the autumn crops, and also in forestry, of activities for organising area units and administrations so that regular exploitation and regular maintenance might begin as soon as possible in forestry. I shall mention just some of the main capacities which have been liberated in this area – they are around 210 thousand hectares of arable agricultural land, then about 240 thousand hectares of forests, and, according to the '91 census, livestock breeding was particularly important, about 78 thousand cattle, 100 thousand pigs and about 350 thousand sheep. The most important thing now, and the teams are already out in the field, is providing care for the animals, namely the rounding up of the animals, feeding, temporary vaccination, deratisation, disinfection and, what is important, we have issued orders for each head to be marked, i.e. /word unknown/ so that we know where the animal will end up if it is not possible to establish its owner, whether it will be placed in someone's care, or, if it is to be slaughtered, then we will also know how much meat was obtained, and that these records can be properly kept. The most important thing now in our Ministry is to mobilise people from the Ministry, and it is also indispensable to organise all inspection services through county offices so that they are in the field, lest, and what is now particularly important and we must be very cautious lest an outbreak of an epidemic in livestock breeding occurs, for these animals have certainly been in contact with the eastern part and certain contagious diseases could have come from there. You will get a report every day on what has been done.

PRESIDENT:

Thank you. Minister Prka on revenue administrations, and then I would like to ask Mr. ROGIĆ, Deputy Governor, to inform us of payment transactions, although we talked today, because that is one of the essential prerequisites for the overall financing of civilian life. Minister PRKA, you have the floor.

Božo PRKA:

Mr. President, I shall first report that we have sent out a circular for the '96 budget to all the ministries and that the new budget for '96 is in fact the first prerequisite for more stable planning after this action /and/ conditions are being created for Croatia to be able to project, like any other country, its economic and political future in a stable manner. So, we have sent out a circular, and all the line ministries have received it, it will be crucial to redefine the structure of expenditures. This action has created prerequisites for considerably decreasing defence costs, and for completely, along with the costs of reconstruction and care for expelled persons and refugees, for directing these overall resources to reconstruction, the return of expelled persons and economic recovery. So, it will be exceptionally important to draw up, we will make the first draft of the budget for the inner cabinet and the government at the beginning of September, it will be especially important to see how the potential structure of the budget must look like after this action. On the other hand, these days, today we have sent a letter to all the counties with regard to additional resources for the municipalities and cities which have been liberated for the purpose of /ensuring their/ minimal functions, maintaining the minimal functions

of these units of local government and self-government and the minimal repair of the damage caused by the bombardment of towns. We shall proceed very restrictively, namely every requirement will have to be explained in detail and monitored and we shall control its implementation. In addition to these measures this morning we agreed on making preparations for a credit from the World Bank. Independently from this action, during the recent visit of the deputy director for Central and Eastern Europe, when we were touring western Slavonia we agreed on the preparation of a new credit for the urgent restoration and reconstruction of the economy. However this latest action will require that the amount of the loan to be sought from the World Bank be much more significant, we are preparing the groundwork, and we will ask all the ministries, primarily of railways, roads, water resources management, agriculture and the Ministry of Reconstruction to join in these actions. Talks need to be intensified again with the Federal Republic of Germany with a view to the return of the expelled persons and the crediting of their return so that we could prepare everything, and we are also considering a new internal loan which we will, after we have extensively considered all the circumstances, propose to you as ...

/Everyone speaking at the same time, text incomprehensible./

PRESIDENT:

... ROGIĆ, you have the floor.

ROGIĆ:

Both the Payment Transactions Bureau and our commercial banks are now making preparations to open their branch offices as soon as possible in all towns in the liberated area of Croatia, i.e. to return to where they operated and where they were at the time of the occupation of those areas. The Payment Transactions Bureau assesses that in some places in two or three days all payment transactions functions will be restored in full and I can inform you that teams of workers from that area have already been prepared and they will return to their places of work. That refers both to Knin ...

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... and to Petrinja and to other places, so that all business transactions and relations in the economic area which will gradually be introduced and renewed in that area will be fully in order with regard to the financial system. Commercial banks are also very active, primarily the *Privredna Banka* /Commercial Bank/, and the *Splitska Banka* /Split Bank/ is also making preparations to restore its branch office in Knin and in that way enable both the supply of that area with money and the evolving of all economic activities. I should like to say that the kuna is entering those areas, i.e. they are being reintegrated in monetary terms also. No money exchange will take place. The money that is there becomes valueless for Croatia. The kuna will enter those regions, Croatian regions, in accordance with all the documents of our economic and general policy, through social fiscal transfers and the evolvement of economic activities at the pace they evolve at. That would be all.

PRESIDENT:

Thank you. Now I should like to ask you that we move on to this group of problems. First Minister ŠKARA then madam Minister DROPULIĆ.

Joso ŠKARA:

Thank you very much Mr. President. Personnel and material prerequisites have been created within the Ministry of Labour and Social Welfare for ensuring the social security of both the individuals and families who have found themselves in the newly-liberated area. We are already making lump sum payments to families in need of welfare due to the war and war circumstances, a new retirement system has been established and there is no reason for not establishing the entire infrastructure already this week /-/ the fund for social welfare, retirement and disability insurance, branch offices of the Employment Bureau in those parts of southern Croatia that have been liberated and already at the end of the week in the northern part as well. In addition we have to emphasise in particular that the Employment Bureau needs to secure special resources intended for the personnel in short supply which wishes to return and work in the newly-liberated cities. These are special resources given for the personnel and structure and educational skills of people who wish to work in Knin and Driš and Petrinja and in the other towns liberated in this action.

We have also conducted an additional survey of all those centres, facilities, of both retirement homes and centres for providing care to the old and infirm and in a foreseeable period of time resources will be secured for the adaptation, for restoring these institutions to normal, so that the old and infirm who lived there can go back, and also so that we can employ the structure of people who normally worked there, so that we will thereby be achieving a double effect, namely accommodating the elderly and infirm who are today even in Slovenia, who are in other towns of the Republic of Croatia, and at the same time employing that structure of people who have been expelled. In addition, within the Republican Employment Bureau we shall encourage firms and entities wishing to work in the newly-liberated areas, which are economically justified and in that way will from the 082 resources stimulate all those with entrepreneurial spirit, who wish to work in those areas, provide co-financing and assistance to them, so that this area could return to normal life and the economy be revived in that part of our liberated areas. In that way we will help, in cooperation with all other ministries, both of reconstruction and return, give a contribution for life to start functioning in these, I would say, liberated areas, and I think that by the end of this week we shall restore life in terms of the social insecurity of citizens and individuals in all the areas that have been liberated /as printed/.

In addition, there is the material devastation of cities that have not been under war occupation, like Gospić at the moment, Vinkovci, where the buildings of the branch offices of pension and disability insurance services have been demolished and we have already established contacts and are conducting talks to solve the problem as soon as possible, to have the pension payment system function already for the following month as has been the case up to now. That is all, thank you very much.

PRESIDENT:

Thank you. Madam Minister DROPULIĆ, then Minister BULIĆ.

Marina DROPULIĆ-MATULOVIĆ:

Mr. President, all county offices have been issued assignments connected to carrying out any possible clearing up and we have conducted talks with all the building firms. Their equipment is ready and the moment the Ministry of Defence and Police tell us that we can begin we shall do so.

We are organising the discharge of public utilities work, because we all know that to be especially important for maintaining life and are also making lists of flats and establishing the factual state. I have to say that we are also involved in these other areas, these which have now been bombarded or shelled, and are also providing them with the necessary equipment at their request.

PRESIDENT:

Thank you. Minister PENIĆ, excuse me, Minister BULIĆ, then PENIĆ.

Niko BULIĆ:

In addition to everything we have been speaking about we are also at the peak of the tourist season. On 4 August the number of tourists registered in Croatia was 182,000. Yesterday the number of registered tourists was 168,000. The number of tourists has somewhat decreased. However, this was only to be expected because of all the events and also because of the major rotation which takes place in this period. However, during the events there were positive developments, because yesterday's data for the area of the Istria county indicate that the entry of tourists was 233,500 and exit 16,350, which shows that that the recommendation of the countries of origin of those tourists, from Germany, Austria, but also Slovenia, was understood loyally by the tourists who were here, but they also, on the basis of their own judgement, assessed whether it was necessary to leave the most active Croatian tourist regions for security reasons. With the completion of the action it is upon us to activate both diplomatically, and, it goes without saying, also through tourism, activities to have the recommendations on not travelling to Croatia for security reasons revoked, for we assess, like we have assessed so far, that on the largest part of the Croatian coast, with the exception of the area of Dubrovnik which we always conditionally proclaimed to be completely safe, that all the security elements are such that there is no reason for foreign tourists, and domestic ones too, not to come.

Domestic tourist travel has somewhat decreased, which is normal because of the situation we are in, and future developments will probably stabilise that too. Also, in coordination and cooperation with the Ministry of Maritime Affairs, Transport and Communications, complete preparations had been made for the possible evacuation of tourists, up to as many as 40,000 tourists if things had, for instance, gone in the opposite direction, but we were convinced that it would not be necessary. The actions ahead of us are to intensify all activities to continue the season normally and even take advantage of the improvements of the general situation for a better post-season. The creation of new preconditions and preparations for 1996 are in full swing. Thank you.

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PRESIDENT:

Thank you, Minister PENIĆ, then Minister MLAKARIĆ, ŠEPAROVIĆ on justice and administration. Please take the floor.

Ivan PENIĆ:

Thank you very much Mr. President. I should like to inform you that we have begun making surveys of the situation, surveys of the status of enterprises. For us they are all social enterprises and their status is such. Some of these expelled enterprises have their supervisory and managing boards or only supervisory boards depending on whether they have brought their status into conformity with the Law on Trading Companies, such as for instance Plitvička Jezera, Belje, Borovo, Vupič, Slavija Trans, Petrinja, they are functioning with the assets they have, considerably decreased... However, many of them have no managing board nor have they been registered with us, such as for instance Tvik, Knin, Gibs and many others. At this moment it is our task to appoint, as soon as possible, and that deadline may be even this week, managing boards in these companies and to have the managing boards with our help find that number one person in charge so that care starts being taken. For at present the situation is such that there are assets, there are buildings, there are some machines, but there is not a single person to take care of that. So I can promise that by the end of the week we shall have appointed managing boards everywhere, in all those enterprises which are completely abandoned. Immediately thereafter we shall make preparations for enterprises that are to be privatised, and /make/ assessments of their value and we shall issue decisions on transformation, for life goes on, and irrespective of what the situation is like, we shall carry on with that process. I have to say that some enterprises from Zagreb and other towns which had their branch offices in that area, such as Pliva in Glina, have already appointed their commissioners, they have started establishing the stage of affairs and according to the information at my disposal, very quickly, although with a very small number of people initially two, three, five, but they are starting to clear up factory grounds and are starting work. That would be my report in a nutshell.

PRESIDENT:

Thank you. Minister MLAKAR, then Minister ŠEPAROVIĆ.

Davorin MLAKAR:

Mr. President, the authorities within local self-government in the liberated areas can act in a twofold manner. Firstly, in all those municipalities and towns where elections were conducted, where both the representation bodies and the executive authorities have been elected, these people have discharged their work with great dedication and efficiently, displaced from their places of residence so far as well, so that their municipal or town leaderships and councils are fully equipped for returning to their parent area, with all the necessary documents adopted, they can, and some already started functioning quite normally yesterday. The mass media also broadcast that a session of the town government has already been held in Drniš and sessions are also being prepared in the other municipalities and towns which have conducted elections. For those parts, areas where elections have not been held, the government has appointed commissioners who, this institute of government commissioners unites within itself both the function of the city council or the municipal council and their leadership and given the fact that major work on a very broad area lies ahead for them, the Ministry of Administration proposes that the

Government pass a decision on the powers of government commissioners to establish local self-government in the liberated local units of self-government. In other words, that we give these commissioners the possibility to form bodies, units of local self-government, until conditions are created for conducting elections in those areas and then at the elections have legitimately elected both municipal councils and leaderships and to continue the work of the local self-government. With regard to state administration work, according to the decree on the establishment of county offices, we have envisaged services for these areas, and shall perhaps, for reasons of rationalisation, suggest that at the beginning the branch offices of county offices in these areas be set up as single branch offices so that initially we have a smaller number of employees who would perhaps have to shoulder a somewhat heavier workload, until the personnel needs are established and then we can see which ministries should have their county offices in which towns. To be brief, local self-government is for the most part already functioning and we think that the decision to empower government commissioners would only help faster establish services where they do not exist and enable normal everyday work to start.

PRESIDENT:
ŠEPAROVIĆ, Minister ŠEPAROVIĆ.

Miroslav ŠEPAROVIĆ:

Mr. President, the Ministry of Justice has within its purview issued the necessary instructions for the reintroduction i.e. the return of judicial power to the liberated areas. We have thus called the president of the Municipal Court in Knin, with its temporary seat in Šibenik, to return the seat to Knin tomorrow and to discharge what is known as extended jurisdiction work for the self-governing district /kotar/ of Knin.

Drniš is returning its seat from Unešić to Drniš and for it it does not fall within that district /kotar/. We have ensured all the necessary material and technical resources for them. There is personnel there. That also refers to Benkovac and Obrovac, the municipal courts of Benkovac and Obrovac which have up to now worked at dislocated places. Slunj is going back, when conditions are created the Slunj Municipal Court, which is working in Karlovac, will be going back to Slunj. There will be problems with Gračac, Korenica and Lapac, because courts did not work even in dislocated seats and in that connection we have recommended to the President of the County Court in Zadar to transfer judges to that area. True, transfers can be made only with the consent of the concerned parties. But, if there is no consent from judges, if there is no consent, I will draw upon my powers from the war decree passed by the President of the Republic. And I will order any judge from the area of the Republic to work there. In addition, we have introduced, naturally, additional duty hours for investigating judges and military judges and we expect larger numbers of persons to be tried, we have made all the necessary preparations, primarily security ones, to receive large numbers of prisoners who have started arriving at our prisons. Thank you very much.

PRESIDENT:

Thank you. Before I give the floor to Minister MAJDAK who will continue with the job he is doing in Western Slavonia, of government coordinator for all these

departments, I just wish to give some instructions for these ministries – or the so-called social services – because we have time, we need not urgently bring decisions today. The Ministry of Education needs to carry out all the /necessary/ analyses so that we can realistically see when the school year can begin. The task is to have the school year begin normally or with a delay of several days or weeks, in the majority of the towns concerned. So please submit a written report to me with your estimates within a few days. The Ministry of Health is in daily contact. The minister is in Knin today, I am familiar with all the operative jobs. And the Ministry of Science /and/ Culture shall take every measure within its competence to carry out its work and to be represented as civilian authorities are established and the economy develops.

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Now Minister MAJDAK briefly and then Deputy Prime Minister KOSTOVIĆ and Minister REBIĆ about the humanitarian situation and we shall wrap up this item. You have the floor.

Dr. Ivan MAJDAK:

Thank you Mr. President. Allow me to say a few words, valuable experiences from the areas of the counties of western Slavonia in the establishment of civilian authorities and their functioning, I think they will greatly help us faster complete all the tasks now lying ahead of us. I particularly wish to draw your attention to the very high quality cooperation between the line ministries which have now presented all their projects and programmes and tasks ahead of us, but I wish to emphasise that because of the much larger area and activities before us, we need to involve counties more intensively here as well and I am glad that for the following day we already have an operative agreement with the counties i.e. county prefects in order to coordinate and discharge as efficiently as possible the tasks and actions before us, from the basic elements, from the supply of basic foodstuffs to the protection of human health, to care for livestock, which was spoken about, up to these most important activities on creating all the necessary infrastructural bases for life to be revived as quickly as possible and at a high-grade level. I should like ask all the representatives of the various departments that we continue in this spirit and to exchange our specific operative experiences and conclusions, in other words activities, so that we might function as quickly and as efficiently as possible at the level of primarily you, Mr. President, and then also us who have operative assignments here.

Thank you.

PRESIDENT:

Thank you, Deputy Prime Minister KOSTOVIĆ.

Dr. Ivica KOSTOVIĆ:

Mr. President, I will say a few words about the activities of the crisis staff for health which, at the beginning of the action started working around the clock on the entire area of Croatia. The staff is headed by the minister of health and I too am a member of the staff and by redistributing and preparing all the hospitals in the entire area of Croatia they have actually managed to provide care for the entire Croatian

army and workers and defenders of the Ministry of the Interior and for all the civilians. A total of 20 hospitals are at a heightened state of war, and throughout the action the health crisis staff will operate at the same level as the army and the Ministry of the Interior. With regard to the humanitarian situation, access has been granted to the International Committee of the Red Cross to all reception centres which have now been set up very close to the places people are received from, namely people are not taken to some farther regions, and they are ready to receive larger numbers of people than has been the case so far.

Secondly, a humanitarian corridor has been provided, and this should be particularly emphasised, Zagreb – Karlovac - Tolj, then Slunj and then to Bihać, in order to help, because Banja Luka already has, according to both UNHCR and the International Committee of the Red Cross estimates, 30 thousand refugees from Croatia now, namely, this is Serbian population, and precisely today the International Committee of the Red Cross has been allowed to organise, if necessary, an air corridor for food, while for these land corridors permits have been granted all the time and according to assessments the quantities of food in that area were sufficient for the first arrivals. With regard to the suffering of the civilian population as far as we know, in Knin and in regard of the Serbian population it is minimal, and these 700 Serbs who have found shelter in Knin with the UNPROFOR, they have been accessed today by the Croatian Red Cross for extending all the necessary assistance to them, and 35 wounded and another 15 ill citizens will now be provided care in the hospital, the minister is down there and the hospital was yesterday practically handed over by our army to our Ministry of Health, but these are new instructions to provide care to this population also, and if necessary medicaments can be given on the spot. When we are allowed access to Topusko and other places where there will be, we believe, also some people who do not wish to withdraw i.e. flee on the orders of the Serbian paramilitary forces, who will stay, we shall act in the same manner and extend humanitarian relief.

I can say too that the suffering of the civilian population on our side is also minimal, because the people strictly observed all measures of protection and everything that was necessary had been done in the organisation of civilian protection.

PRESIDENT:

Thank you. Minister REBIĆ:

Dr. Adalbert REBIĆ:

Mr. President, the Office for Expelled Persons and Refugees has done everything, firstly, everything to ensure that during these liberation /actions/ the expelled persons are in a safe place and we have therefore moved expelled persons from Gaza to Varaždin and Pula and Rijeka, naturally just before the liberation lest we give the enemy any hints before that. We also moved all the expelled persons from Rokovci to the Bjelovar region, the inhabitants of Nuštar to Pitomača, from the Vinkovci railway settlement also to the Bjelovar county, etc., there is no need to go into all the details. I wish to say that we moved all the expelled persons and all our population that was endangered to safe places.

Secondly, we ensured accommodation for civilians of Serbian nationality, who possibly need to be put up as well as a service for making a list of those persons. If necessary all regional offices have a decree according to which they should organise such accommodation, similarly to what we did during the action for liberating Slavonia.

Thirdly, humanitarian aid is very prompt and we are showered with offers from international humanitarian organisations which are ready immediately to send relief to Bihać, to Knin, to Banja Luka. You know about the situation with the bishop, I instructed him to contact you directly, however it is not possible directly to send humanitarian aid from the Caritas and the others to Banja Luka /and/ in that connection I am still talking to the Ministries of Defence, of the Interior, ŠARINIĆ and others. That would be all. I can also tell you that the Greeks have appeared and Mrs. ŠKARA sent them to me, they wish to receive a large number of refugees from Croatia. I will present the positions of the state in an interview.

Thank you very much.

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PRESIDENT:

All right, thank you. We have nearly exhausted this item. Do any of the other members of the government have anything to add? Deputy Prime Minister MIŠETIĆ you have the floor.

Bosiljko MIŠETIĆ:

Internal policy coordination will tomorrow within its powers, its competences, operationalise these and the assumed and current tasks and very probably determine that inventory too. Namely, listening to us here in good faith it turns out that there will be no problems. However, we are not talking at all about all those difficulties we shall encounter. The Croatian army and police forces have indeed brilliantly carried out the Oluja action. This government has over several years under the leadership of the prime minister really passed through storms but just like the Croatian army did its part of the job now, at this historic moment, it is, I would say without pathos, the historic task of this government to fully operationalise what the army and police have done.

I am sure that we all see the situation ahead of us in good faith, that there will be no problems, but evidently there will be as Minister MAJDAK says and I fully agree that the positive experiences from the area of the municipalities of Nova Gradiška, Novska and Pakrac should be drawn upon. When I say this I say it because I would like to suggest that neither Krajina or Western Slavonia ever again be mentioned in the institutions of Croatian state government, in the media and in the public. The Croatian state has its organisation, a state and local self-governing system, designations of territorial units within the state of Croatia and that indeed, from this moment when Croatia is in its borders it should employ, both in the media and in the institutions, the expressions defined by the documents and laws of the state of Croatia.

Allow me to emphasise another thing. That is Mr. GRANIĆ's department and partly mine also.... / power cut/ and thereby win a high political rating at the

international level, for Croatia practically achieved in three, four days what Europe, European /and/ world factors did not do in four years.

However, this rating might perhaps be partially spent, if we fail to continue, including this government, within its powers, to work on what is our primary task, namely that the action of the Croatian army is to a large extent also the implementation of the Split Agreement, which is in turn the continuation of the Washington Agreement and the Constitution of the Federation. To achieve that and discharge its task, Croatia's political objective is the establishment of a confederation between the Republic of Croatia and the BH Federation. This action of the Croatian army, the conditional or real gains which I am sure not only the Croatian army, I mean every Croat, also outside Croatia and in Bosnia and Herzegovina and with the Muslims has won and the credit we have, I think that we should not waste it. On the contrary. I think that it would already be important to work within the government and the institutions of the Croatian state on the further implementation of the Washington Agreement and of the Split Agreement, and what I wish to propose specifically, and that is anyhow the conclusion of the Petersburg, i.e. of the Bonn Agreements which the government partly in agreement with the Government of the BH Federation implemented, to use this now for firmer institutional links between the Republic of Croatia with the BH Federation for the reasons I mentioned, and primarily with a view to the protection of Croatia's interests in BH, namely, primarily of the Croats, and thereby also for the protection of the interests or the right to the existence and state of the Muslim people in the BH Federation also. In what way? If we stay only declaratory in this respect we will have done nothing. That remains a fine decoration of good will. I should like to suggest that every ministry and every institution take advantage of this opportunity and within its ranks institutionalise an individual or a group of individuals to work on the institutional mutual linking of universities, university exchanges and economic exchange and the economy and also these Croatian counties on the perimeter, to have them start more intensively linking with the cantons /veležupe/ within the BH Federation, because in that way with this action we would perhaps be closer to what are Croatian strategic interests, to link with the Republic of Croatia as much as possible of those areas which Croatia is primarily interested in, and that currently fits in both with Croatia's interests and the strategic interests of international factors, primarily those who are well-disposed towards the Croats and the Muslims for the establishment of a union and federation of Muslims and Croats, and to definitively start creating prerequisites no longer for confederal links, but for the creation of a confederation of the Republic of Croatia and the Federation of Bosnia and Herzegovina. Thank you very much.

PRESIDENT:

Thank you Deputy Prime Minister MIŠEVIĆ. Does any other member of the government wish to add anything? If not, I close this item. I think that we have outlined the main tasks as briefly as possible. There will be a lot of problems and perhaps some brief comments are in order. We are facing a problem today and perhaps we are not yet all aware of the scope of the problems ahead of us. It is precisely during the first month that we will receive the greatest blow and that is why we are proceeding with such a war, at a fast pace, so as to try to take control of the problem. And, also, under this item, I should like to ask that we accept the decision on

the powers of the commissioners of the government of the Republic of Croatia for the establishment of local self-government in the liberated local self-government units which Minister MLAKAR explained already in the introduction. I propose we adopt that, for it is a formal prerequisite for the normal functioning of government at the local level.

Does anyone have anything against this? If not, I suggest that we adopt decision and move on to ITEM 4, the continuation of item 3, and because of its importance we have made it a separate item. It is – PREPARATIONS FOR THE RECONSTRUCTION OF THE NEWLY-LIBERATED AREAS.

Since both strategic and operative tasks are in question, I should like to ask Deputy Prime Minister and Minister for Reconstruction and Development, Dr. RADIĆ, to take the floor.

Dr. Jure RADIĆ:

Mr. President, there is really no need to reiterate it, the brilliant and magnificent action of our army and police has resulted in the fact that of the total number of expelled persons in Croatia since yesterday or today two thirds of them have become returnees and only a third remain expelled persons, and thereby in fact all of them become less of a concern for Mr. REBIĆ and his Office and more the concern of us who are in charge of return and reconstruction.

However, I would like to stress another thing here. This is the end of the four-year occupation of these areas from Zagreb, practically to the sea, but also the end of the seventy-five year long Greater-Serbian aggression which lasted during the two Yugoslavias and during this occupation ...
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of these areas. And that is why the reconstruction and development of these areas is not seen just as a job eliminating the consequences of this five-year aggression but one that has to make up for all the evils caused in this area by the 75-year long Greater-Serbian aggression which emptied Lika and Kordun and Banovina and emptied many of those regions and forced Croats to seek a livelihood in the world for political and economic reasons. That is, therefore, our overall task. To create new conditions for a new, renewed life for Croats and all the citizens of Croatia who are loyal citizens in this area occupied until yesterday.

It is very important that we fully apply the experiences we have gained so far in the areas of reconstruction and return, which range from Konavli, through the Zadar hinterland, the Miljevica plateau, to the recently liberated areas of Slavonia and Posavina, apply what is positive in them to the work ahead of us, and not to repeat here the mistakes we observed.

However, this area significantly differs from the past ones not only in terms of quantity, for so far the largest number, and that was in Slavonia and Posavina, of people we had to take care of, to see to their return, was 15,000 people, and here we have a hundred or a hundred-odd thousands, we shall have the exact figures in a couple of days. And in this area for the first time we have several cities. I would say,

from our point of view, even larger cities, and small towns which were during this aggression completely emptied and the people expelled. But the /?first/ impression of both our defenders and all those who were in those areas these days is that the situation in this liberated area is the same as in the ones that were liberated in the past, namely that the houses of Croatian citizens, now expelled persons, have for the most part been burned, torn down, demolished, and what belonged in various ways to citizens of Serbian nationality or what they used has remained intact. In this liberation action too our army did not destroy any facilities, while the aggressors destroyed, torched, totally demolished everything from which they expelled people during this time. Therefore our focus in reconstruction must be on the main objective, which was the objective of this liberation action, namely the objective of return. Since we are aware that we cannot, within three months or fifteen days or a short period of time, create conditions for the return of all our expelled people. By liberating their houses, in fact restoring their liberated houses, we have to focus on achieving the most efficient return results in a short period of time, and set reconstruction priorities, to focus in the first stage on the reconstruction of facilities in majority areas which will enable the fast return of large numbers of people, with emphasis on what can be restored quickly, i.e. what has suffered less damage. It is very important that we agree, at government level, and this is why we are discussing all this today, that all our departments be very coordinated, so that work on the reconstruction of infrastructure and work on the reconstruction of all other areas of life be accompanied or harmonised and jointly directed to the very same areas to which we intend to channel return in this first stage we are talking about. Therefore, immediately after demining the terrain and enabling return we shall send a commission to assess damage there, that is a sector where the Ministry of Finance and my Ministry can coordinate action, where in the past period things were sometimes stop-and-go, because it demands a large number of experts, which, since according to the existing law this has been transferred to county level, are lacking in many counties. And we shall reach agreement today to send from Zagreb, Split and large centres where we have experts, to send people from institutes to the field and have them assess war damage within 10 or 15 days at the most, for in some areas, for instance I was in the Požega-Slavonia County two or three days ago, where, even though three months have elapsed since liberation, all war damage has not yet been assessed. This mistake must not happen now and we have to do this job very urgently.

With regard to the reconstruction of the housing stock which is certainly a priority for the return of people we have, according to our decrees, three groups of facilities. The first are those where, I would say with practically cosmetic work we can create conditions for return. That is where it is necessary to repair glass, paint or repair the walls to a certain extent, fix some installations in houses. There are many such facilities and we have to fix those completely within a month, a month at most. In Western Slavonia we did that by engaging to the maximum the returnees themselves for such work, and we opened, not to give money to people, but we opened accounts in some shops, which we ourselves urgently organised in those places where they could pick up those necessities for defence. But now here for reconstruction. In this case we are also urgently introducing special intervention teams, which we will organise, and which will do this work on repairing this group of facilities so that people can come back quickly.

The second group, the facilities from the first to the fourth category, we shall proceed with credits immediately after the assessment of war damage, and the third group are our largest settlements which we have to restore, from Vrlika and Kijev up to Kostajnica, which for the most part fall under the fifth and sixth categories and which we are restoring according to this model which has already in the areas of Slavonia which has, which has proved to be very successful.

There are just one or two very important things I have to stress. Activities for the return of people cannot evolve spontaneously. It has to be organised very precisely and very well. So, from this government we are not now sending an invitation to returnees to rush back, but we shall call you, we shall organise things and say tomorrow or on this or that day we shall return to Drniš or Vrlika or whatever area necessary in an organised fashion.

Secondly, it is very important that we engage to the maximum, for reconstruction purposes, both the manpower and all the other potentials of the people returning to their homes. So that they participate in the reconstruction for in that way in fact both renewal and return start today. And not in several weeks or several months. There is another thing I should like to emphasise. The reconstruction of the areas liberated in this action will not be to the detriment or slow down the renewal of the areas we have already started restoring, the areas of Slavonia and Posavina, for very often, and indeed today I was asked from those people whether we would slow down, no, these days we shall accelerate the reconstruction of Posavina and Slavonia so that we can, after reconstruction is completed there, redirect and channel all possible capacities to these areas for which we shall have in the meantime made preparations. And it goes without saying we shall request resources from the Government and Parliament, for reconstruction, so that we can do that job. I claim here that this action of liberating the western, areas south of Zagreb up to the sea, will not impose additional expenditures. It has led to savings in many segments and only part of those savings, not all of them, but only part of those savings should be redirected to reconstruction, so that a genuine overall revival can be achieved, and the greatest problem I see today and to which I am drawing attention here before the government, and I shall conclude with this, is that of manpower for the renewal.

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That is the major problem, we have this problem in all these other areas in which we worked so far, and I appeal that we, the government, address this problem during the coming weeks in a calm atmosphere, to see how to reduce the number of unemployed and fictitiously unemployed in those very counties in which we constantly need new labour for these investment programmes, reconstruction programmes and return programmes.

Thank you.

PRESIDENT:

Thank you. Before we move on to two items in the purview of Deputy Prime Minister GRANIĆ, perhaps just a sentence in conclusion. Today we have, Deputy Prime Minister ŠKEGRO has asked to speak, please take the floor.

Borislav ŠKEGRO:

Mr. President, I will just briefly add on to what Deputy Prime Minister RADIĆ said. Naturally, supporting everything said before that. In addition to all the other aspects of this operation, and you yourself mentioned it, this is a crucial economic issue. And, naturally, in preparing the budget for '96 we will have to have and will have quite a clear vision of the new, and indeed major changes which have taken place in the overall Croatian state, and I am referring here exclusively to the economic segment. I will just say that I completely agree with your assessment that the indirect economic results in the following year will be of the order of 10 billion kunas, or some US \$ 2 billion, but what Deputy Prime Minister RADIĆ emphasised with justification, we have to, here and at this moment, particularly at this moment, say that our aspirations, particularly during the following year, have to be primarily investment and reconstruction ones, and not spendthrift and wasteful. And I will say here today that we will present a draft budget for '96, which will contain neither a nominal nor a real increase of salaries as compared to the present ones. In this context we shall not, it goes without saying, remind of what we recently attempted and which did not work. When you mentioned shares, Mr. President, I will use your formulation and I claim with full responsibility that Croatia's shares, and thereby the shares of each Croatian shareholding company have, I would say, doubled their market value, perhaps they have not yet approached their nominal value, but with this operation, you can view in a completely new light the shares of many enterprises which because of the severed traffic, because of political risks, because of uncertainties, because of the general state of expectation, both in the world and at home, could not come into their own and it is only now that we will see the positive results.

Mr. President, I should like briefly to touch upon just two more things. Primarily because of the public, namely the international public. We remain, Minister PRKA spoke about that, quite firmly committed to the past principles of implementing not only the economic but also the overall programme. Indeed, I claim that we have created preconditions so that we can, and now fortunately Mr. President, what we kept saying for two and a half years is coming true, the great needs for financing reconstruction when it occurs, and thank God it is coming, will come to a country which has proven to be an ordered country, and in which low inflation is an indicator of the overall situation. We shall continue firmly to adhere to that programme and there is absolutely no collision with these new tasks, and if I may say so, the sweet problems which are arising, with what we earlier said about restructuring, about privatisation, and in fact we now actually have to speed up some processes.

And I shall finish with this, Mr. President, Deputy Prime Minister RADIĆ is quite right when he mentions bottlenecks. In the short term, and it is indeed a period of several months, we shall have problems in eliminating these bottlenecks at once. One of the main problems will be labour, and to the regret of some critics it will be seen that Croatia already has a scarcity of labour in some sectors. We shall, Mr. President, come up with specific proposals to definitely differentiate and stringently address the issue of the social status of the unemployed, the problem of the fictitiously unemployed, because we shall indeed need full mobilisation, mind you, completely on market grounds, completely on grounds on which we worked so far,

but this time we have to react very speedily and in a short period of time find both the manpower and the capital for reconstruction needs.

Thank you very much.

PRESIDENT:

Thank you. I close this item and will make just a few short remarks. Gentlemen, because of the overall situation the government is practically permanently in session, all the ministers are in daily contact with me, but so that we do not hold formal sessions of the Government every day, I have passed a decision, both in accordance with my powers and in conformity with the position of the Government, that the inner cabinet should have broader daily powers for adopting certain decisions, and also that the Prime Minister can within the powers he had so far and he currently has adopt operative decisions. In this way we will convene government sessions as necessary, when all the conditions for that exist. If things go normally we think that it will be sufficient to hold government sessions once a week because we have put many things under control, and if necessary we will hold government sessions several times a week.

I should also like to ask you to accept a practice that has been employed so far, to issue, through our Office for Public Relations, daily communiqués on topical events so that the public is informed of everything so that we do not have to resort to various press conferences or government sessions for every hour, every minute is simply precious. When we deem appropriate we will inform of what the government has done that day.

I conclude this item and items 5 and 6, in the competence of Minister GRANIĆ, first information on the situation in the occupied area of Slavonia and Baranja. You have the floor.

Dr. Mate GRANIĆ:

The state of occupation in these areas is practically a state of complete occupation by Belgrade. Belgrade is arming, paying, it is fully linked in terms of communications, controls both bridges. Economic and telecommunications integration in the system of Serbia i.e. of the so-called Federal Republic of Yugoslavia, is complete, the same is true of the customs and monetary systems, and on the other hand there are constant attacks on Osijek, Vinkovci, Županja and other Croatian cities. Belgrade has additionally mobilised special units, yesterday it withdrew ambassador KNEŽEVIĆ for consultations, there are permanent troop movements on the line of demarcation and I can say that the Republic of Croatia, that the Government, is intensively following all these events. The Republic of Croatia does not intend to militarily liberate these occupied areas at the moment. The Republic of Croatia is alerting the international community to the insupportable state of full occupation and pointing out that Belgrade shoulders full responsibility for that. The Republic of Croatia is willing to negotiate with the Croatian Serbs from these occupied areas, but no longer either with MARTIĆ or BABIĆ or anyone who is not from these occupied areas.

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... We call upon the Croatian Serbs to embark on urgent negotiations on peaceful reintegration and we are ready to use the services of the International Conference on the Former Yugoslavia and from the UN the Republic of Croatia requests the urgent application of UNCRO's mandate. Also, the Republic of Croatia has today withdrawn our ambassador MARKOVIĆ from the office in Belgrade for consultations.

PRESIDENT:

Thank you. I open a debate on this item, although this is a report and I propose that we accept it as a report, as the standpoint of both the Ministry of Foreign Affairs and of the Government, when the Government adopts this report.

Do you agree with this? Thank you.

We shall now move on to ITEM 6 – PROPOSED CONCLUSION IN CONNECTION WITH THE STATEMENT OF CARL BILDT, CO-CHARIMAN OF THE INTERNATIONAL CONFERENCE ON THE FORMER YUGOSLAVIA. I shall not make any comments, would Minister GRANIĆ please immediately take the floor.

Dr. Mate GRANIĆ:

In his statement of 4 August 1995, the Co-Chairman of the International Conference on the Former Yugoslavia, Mr. Carl Bildt, drew certain parallels between the attack of the insurgent Serbs on Zagreb and the legitimate action of the Croatian forces for the reintegration of the occupied territories of the Republic of Croatia into the constitutional and legal order of the Republic of Croatia. Specifically he made a comparison with our liberation of Knin. In addition, Mr. Bildt is attempting to equalise, in terms of responsibility, the democratically elected President of the Republic of Croatia, Dr. Franjo TUŠMAN, with the war criminal Milan MARTIĆ. In response to his statement, Deputy Prime Minister and Minister of Foreign Affairs of the Republic of Croatia, Dr. Mate GRANIĆ, sent a letter to the peace mediator of the European Union for the former Yugoslavia in which he condemns his statement as cynical and as showing a lack of wisdom, particularly in the case of a negotiator.

During the meeting in Geneva on 6 August 1995 between Dr. GRANIĆ and a delegation of the European Union and the peace mediators for the former Yugoslavia, Mr. Bildt reiterated the standpoint that the attack on Knin and the bombardment of Knin were similar to the bombarding of Sarajevo. We warned that it was exclusively, that it had been, the bombardment of military targets which are in Knin itself, that we have no data about heavier civilian casualties and that we would immediately announce all the data and that it had been a legal and legitimate action for the purpose of reintegrating our occupied areas. Nevertheless, after that Mr. Bildt made a statement completely unacceptable for us. Mr. Bildt, in the role of peace mediator upheld the recognition of the Republic of Bosnia and Herzegovina by the so-called Federal Republic of Yugoslavia in return for a nine-month lifting of the sanctions without the right of veto. Without the simultaneous recognition of the Republic of Croatia in its internationally recognised borders and as one of the ways for solving the crisis in the area of the former Yugoslavia, which we vigorously opposed being of the opinion that sanctions cannot be lifted off Belgrade while practically a considerable part

of the territory of the Republic of Croatia is occupied by Belgrade. Such conduct and positions of the co-chairman of the Peace Conference on the Former Yugoslavia, Mr. Carl Bildt are in direct contravention of the mandate of peace mediator entrusted him by the international community and it shows that Mr. Bildt has lost credibility for the Republic of Croatia, for our public and our state, for further discharging the duty of international mediator and on the basis of the above mentioned we are of the opinion that the Republic of Croatia should no longer cooperate with Mr. Bildt and we propose the following conclusions, namely that the co-chairman of the Peace Conference on the Former Yugoslavia, Mr. Carl Bildt has lost credibility for discharging the duty of peace mediator, and that the Republic of Croatia will no longer cooperate with him. But that the Republic of Croatia is, like so far, ready to fully cooperate with the International Conference on the Former Yugoslavia, and in particular with the European Union, and we should address a letter along those lines to the European Union which in fact appointed Carl Bildt co-chairman of the Peace Conference on the Former Yugoslavia.

PRESIDENT:

Thank you. You have heard the explanation, you have heard the conclusions. If no serious discussion is necessary, I propose that we adopt these conclusions for these proposals are really well-argued. Is anyone against this conclusion? Deputy Prime Minister MIŠETIĆ, you have the floor.

BOSILJKO MIŠETIĆ:

Namely, I am not against the conclusion. We discussed that at an Inner Cabinet meeting. It is true that the actions, act and activities of co-chairman Bildt are in contravention of the mandate entrusted him by this Conference and the international community. It is true that his statements insult every Croat. However, I don't know how advisable it is for us to perhaps react precisely in this way, for the circumstances are such. Despite Bildt's statements and outside his mandate Croatia is nevertheless by this action and by its consistent policy constantly raising its political rating and becoming an unavoidable and even an international factor not only in these but also in European areas and I was thinking along the lines that the institution which appointed and designated him co-chairman should be made aware of the fact that by his acts and activities he is exceeding the mandate he was given and that the institution which appointed him should be alerted to the fact that Croatia wishes to be cooperative in dealing with the international community, but that such acts will lead to Croatia reacting as we reacted in this proposal now.

I was just thinking aloud, but if that has been agreed upon, and I suppose it has, I have nothing against such a conclusion, but perhaps in some nuances it reminds of a fast, sharp reaction, like those with whom we are still waging war today often react.

PRESIDENT:

Thank you, Deputy Prime Minister GRANIĆ would like to speak.

Dr. Mate GRANIĆ:

In any case, the Republic of Croatia and I think that this is a conclusion, is willing fully to cooperate with the international community, the European Union, the

International Conference on the Former Yugoslavia. We neither can nor have nor can remove Mr. Carl Bildt as a negotiator. But we have presented our positions in this proposal, for he equalises the President of the Republic of Croatia with a war criminal, and repeatedly equalises the attacks, i.e., on Sarajevo, being conducted also by the war criminal MLADIĆ with our liberation of Knin, which in any case deserves the strongest condemnation and we think that we should say that very clearly, and with regard to cooperation with the international community I think that we should fully support what Deputy Prime Minister MIŠETIĆ said, the opposite. Full cooperation as was the case so far.

PRESIDENT:

Thank you. I propose only in terms of these proposals by Mr. MIŠETIĆ to change perhaps just a small nuance in the conclusions, the credibility for discharging the duty of peace negotiator and that the Republic of Croatia objectively cannot cooperate with him. He will not be. That is a word which is perhaps too strong and in that sense I think that this intervention, the purport is the same and there remains a diplomatic possibility to defend our positions, but we also have to be aware of the serious repercussions of such a decision. Minister VIDOŠEVIĆ.

Nadan VIDOŠEVIĆ:

I shall be brief Mr. President. I think that the authorities should empower you, together with minister ...

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... GRANIĆ, and revise ... the text which will be sent that that would be the best measure.

PRESIDENT:

Thank you. The Deputy Prime Minister.

Dr. Mate GRANIĆ:

Yes, I fully agree with the Prime Minister's proposal.

PRESIDENT:

The purport is clear, condemnation and non-acceptance, loss of credibility, that is important and continuation of cooperation with the European Union and the inner cabinet will then harmonise the text.
Deputy Prime Minister MIŠETIĆ.

Bosiljko MIŠETIĆ:

Namely, I think that there is no doubt that it is an insult for every Croat and a crime for anyone, even be it a co-chairman, to equalise the Croatian state leader not only at his moment, but at any time, with a criminal, because who is doing that is committing a crime and there is no doubt about that.

However, I meant to leave the door ajar for a high level of cooperativeness, for Croatia has precisely on account of cooperativeness won such a political rating and

that he might not perhaps, although he deserves an even harsher reaction indeed, that, when we have scored so much politically, Mr. Bildt can make even worse statements, but he cannot detract from the rating and position of Croatia which has achieved political gains gained precisely through a consistent and cooperative political strategy vis-à-vis international factors.

PRESIDENT:

Thank you. I close the debate. We shall revise the text of the conclusions, we shall inform the public of the conclusions during the day through the Ministry for Foreign Affairs. Thank you very much.

If there is nothing important under item 7 I will close the session. Does anyone wish to speak under item – INFORMATION, QUESTIONS, PROPOSALS? If not, thank you very much. Be in contact with our office permanently, and we shall continue every day.

SESSION CONCLUDED AT 1526 HOURS.