
Misappropriated Property of Former Yugoslavia: Economic Basis of the Serbian Aggression against Croatia

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Summary

In his essay the author deals with two topics: disadvantageous effects of the common Yugoslav state on the Croatian economy and misappropriation of the Yugoslav federal state property by Serbia. In the first Yugoslavia (between the two World Wars) Croatia was economically handicapped through different political practices: the monetary reform, taxing imparities, Serbian colonization in Eastern Slavonia and disadvantageous treatment in infrastructure construction. In the socialist Yugoslavia this handicap was continued primarily through a policy of industrial disinvestment. The economic reforms by Prime Minister Ante Marković in the late 1980s could not save the Yugoslav federation, they even attempted to increase centralization, which was inacceptable for Croatia. In the second part of the article the author offers a calculation of federal state property (mainly foreign currency reserves and military property) misappropriated by Serbia. On the basis of IMF methodology in calculating Croatian share in the Yugoslav GNP the author estimates that the net value of the Croatian part of federal property amounts to 17 billion USD.

Among numerous rights, the United Nations Charter also recognizes the category of natural right of a nation to self-defence. Raising the right to self-defence to the level of basic principles of the Charter is an attempt to express the right of any nation to its own country, its right to unite with other nations in a new state and its right to defend itself if it is forced to remain in a state in which it is disadvantaged and which is generally unacceptable for the respective nation.

In this respect, the Charter does not make any difference between the so called historical and non-historical nations, neither does it sanction assimilation. The fact that some UN officials (for example, B. B. Galli) voice their fear that many new states may come into being in the near future is not an argument against the creation of new states, but proves that there are still a lot of individuals with a totalitarian attitude, who believe that the best of the worlds would be a simple world with them, of course, in the driving seat.

This is a statement typical of the old colonial way of thinking, which has not yet realized that the times of coerced melting pots of nations and internationally imposed nation-building solutions have long passed. This is why the emergence of nationalism in many nations does not surprise, and neither does their desire to create their own state. Moreover, the practice has proved that multinational states (in the sense of several politically articulated nations living together in a common state) have not been successful. Most of them are experiencing interethnic friction resulting from the domination of one ethnic group over others, its insistence on their living together by its own rules, which caused the other ethnic groups to resist. This is where the desire for separation and for the creation of their own state originates. It is not characteristic only of relations between ethnic groups which formed the former Yugoslavia. That was the case with other multinational states as well. This can also be found in other states characterized by civil homogeneity and it is only a matter of time when the conflicts will break out.

Croatia entered the common state with Serbia with a great deal of optimism upon the disintegration of the Austro-Hungarian Monarchy, although apart from political will (which later proved to be a great political delusion) it had no other objective economic, cultural, spiritual or civilizational interest in doing so. Being a part of a different civilizational, economic and cultural environment Croatia joined the common state far more developed than other joined regions. Croatia had a right to expect to improve its well-being in the new state. But this did not take place. Instead of improving its well-being there was disappointment. Instead of development, a rip-off took place. The new state stopped at nothing.

The first big rip-off by the new state took place when the new currency was being introduced. Defending the view that the old Serbian dinar had been less devalued by the war than the Austro-Hungarian crown, the new state replaced the crown with the Yugoslav dinar at an incredibly low exchange rate. For one old Yugoslav dinar, Croatian citizens had to pay five times more crowns than Serbian citizens Serbian dinars. Then followed the second rip-off when the new state imposed higher taxes on Croatian citizens than on Serbian citizens. Finally, treating the new territory as conquered areas, the new state started systematic colonization of Croatian areas with Serbian people, especially Sirmium and Eastern Slavonia. It was defended with the need for agricultural reform and with the need to give reward for "war merits" of so called "Thessalonians". However, the actual goal was the serbization of the conquered areas.

That was how it all began. Once the wheel started spinning, the robbing never stopped. Gradually, state misappropriation spread to all areas of life. This was in particular evident in the economy, where numerous state measures were aimed at eliminating the obvious advantages of the western part of the new state over the eastern part.

According to R. Bičanić, enormous means were taken from Croatian areas for investments in Serbia and Belgrade. He supports his claim by figures. He gives numerous examples. One of them shows that at the time of the Yugoslavian kingdom 12 times as many railroads were built in Serbia than in Croatia, although the state treasury was filled mostly with tax money paid by Croatia. The same was true of customs duties, excise taxes and dues. (For more about the Croatian economic status in the Yugoslavian kingdom see in R. Bičanić, *Ekonomska podloga hrvatskog pi-tanja*, Zagreb, 1938).

New circumstances and new ideology did not improve Croatia's position. Although in World War II most fighters against fascism were Croatians, due to the existence of the Independent State of Croatia, Croatian people were subjected to a merciless requital after the war. Even today Croatians are condemned by some international factors for past events. This, too, has a purpose.

As communists in the so called socialist Yugoslavia used events from the past to eliminate any kind of criticism of the totalitarian government and of the distribution of Croatian property in other republics (often called less developed republics, which included Serbia), today the above mentioned international factors use the same methods, being basically against the Croatian state. They cannot overcome the disintegration of former Yugoslavia and would reestablish it if they could. But they cannot. However, they could create obstacles and cause problems and this explains why they were so surprised to see Croatia survive and resist the military force which had international support (even, until recently, of the USA) to break any resistance by a force.

How things were in former Yugoslavia can be seen from the following data. According to the structure of the gross investments in the post war era the largest investments were made in Serbia (36%), while in Croatia they were much smaller (23%). At the same time, Croatia participated with 27.5% in the GNP and Serbia participated with 25.7%. This is according to official figures. However, the actual situation was even worse for Croatia. Numerous investments were made with money not represented in the budget and money which was not officially documented as was the case with military industry. Military expenditure was kept in a separate account. The same was true of international arms trade. It is a well-known fact that the former Yugoslavia had an annual turnover from arms sale of more than 2 billion dollars. However, this was not documented in official statistics. Arms were sold to Iraq and Libya, given free of charge to Palestinians and international terrorism was supported. It is a well-known incident when a special JAT airplane from Belgrade landed in Rome, taking Abu Abas, the chief organiser of the terrorist attack on an Italian passenger ship, which was taking tourists on a Mediterranean cruise.

There was no evidence as to where this money ended up. One thing is for sure — the money did not go to Croatia. Not a single arms and military equipment plant was ever built in Croatia.

There are many examples proving how difficult the position of Croatia in socialist Yugoslavia was. But only now this kind of proof can be made public. It was not possible before. If somebody dared to do a thing like that, they would face a strange "destiny". They would end up in prison or would be prevented from doing their job by being accused of disrupting "fraternity and unity". And this was done mercilessly. The case of "Croatian spring" is well-known, when many Croatians were persecuted. This was the time when a significant number of university professors suffered. Some of them were sent to prison, others were prevented from public work, and still others were not allowed to teach, although receiving salary.

And so history was repeated. In the Yugoslav kingdom the accusations of Croatians were based on "threatening national unity and state security", while in "socialist" Yugoslavia they were based on "disrupting fraternity and unity".

That lasted for 70 years. It was by no means a temporary phenomenon. Therefore, it was clear that changes were bound to take place at the first truly free elections and that a war was inevitable because Serbia would not give up the territory, which was paying for most of its expenses.

And the war came stormingly. The Yugoslav army started an offensive in Croatia using all available means of modern warfare (consisting of predominantly Russian and home products), while Croatians defended themselves using makeshift arms. Serbs who were Croatian citizens, who had long before been given arms by the Yugoslav army, were instrumentalized, too. This was how the appearance of an ethnic conflict and not of Serbian aggression against Croatia was continuously created.

Paradoxically, the last government of former Yugoslavia had prepared Serbia economically for the war against Croatia. That government wanted to patch up the economic and political system on the basis of the concepts of "new socialism" or "socialism with a human face" (those are slogans from the then propaganda). It offered the concept of socialist renewal based on market principles and the revival of the "socialist economic system" by means of accumulated foreign currency reserves and the support which had been promised from abroad.

The prime minister of that government, Ante Marković, wanted to renew a unitarian Yugoslavia. His concept of "socialist market economy" was actually eliminating republics economically, due to extreme capital centralization as well as the centralization of decision-making on the Yugoslav level. In this respect there was no difference at all between his and

Milošević's concepts. The only point of difference is the fact that Milošević advocated Great Serbia, while Marković advocated a unitarian Yugoslavia. However, since the political and economic power was to be concentrated in Belgrade, we can consider the two concepts identical. It was, after all, Marković who directed tanks to the Slovenian border, having been given support for that action by the USA.

Marković left the political scene, but all the money he had brought to the state treasury remained there to be used by Serbia. This is how Marković practically provided Serbia with large funds to finance the war against Croatia and other republics of former Yugoslavia.

Apart from this, while the Yugoslav government was still functioning with A. Marković as prime minister, Serbia broke into the Yugoslav monetary system. This happened at the end of 1990. This is where Serbia got hold of 1 billion and 250 million US dollars. Slovenians took 98 million US dollars and Croatians 70 million US dollars.

Serbia was left with 16 billion and 654 million US dollars for conducting the war and aggression against Croatia. These are financial resources that are operational at any time and this was distributed to different world banks. Formally, these huge sums of money (in Yugoslav circumstances) were distributed as shown in the Table 1:

Table 1: Financial Resources of Former Yugoslavia

— situation on December 31, 1990

— in millions dinars and US dollars (1 US dollar=10,567 YU dinars)

	dinars	US dollars
National Bank of Yugoslavia	89,197	8,422
Reserves in foreign currency, gold and precious metals	59,234	5,605
Property of the Yugoslav Bank for International Relations	7,690	728
Republic obligations toward the Yugoslav monetary system	5,318	503
Illegal intrusion in YU monetary system of some republics	15,028	1,422
Property of the Postal Savings Bank	838	78
Other funds	687	65
Total	177,922	16,822

Serbia managed to stash away most of the common money of the former state through various channels of different banks in good time. This is why it is capable of buying out former Yugoslavia's debts on the secondary market at minimal prices.

According to data of the American Office for Foreign Affairs Control (OFAC), Serbia has so far bought out through various mediators 500 million dollars. There is evidence that Serbia efficiently stashed away the property of the former state and that the blockade of its financial property by the international community is extremely inefficient.

Serbia has been buying out debts of former Yugoslavia contrary to all standards of international behavior. They represent the common property of the states that were established on the ruins of former Yugoslavia. The international community has been aware of this, and despite the fact that the international community denied Serbia the right of being the only successor of the former state, it turned a blind eye to such transactions. Thus, it is evident that some international factors do not follow international standpoints they themselves adopted.

This is why exact figures concerning the total amount of the debts that have been bought out are rather uncertain. It is also questionable whether the international blockade of the former state's property has been effected in the first place. The United States might have done it, but have other states which participated in the decision on the blockade done it as well? Furthermore, it is unclear how much money is under the control of the international community, and how will other successors get hold of the property they have a right to.

This helps understand the Serbian president's insistence on immediate and complete lifting of the embargo towards Serbia and on recognizing international-legal continuity of the new state called Yugoslavia, which was formed by Serbia and Montenegro in order to start any kind of negotiation on the peaceful reintegration into Croatia of the areas occupied by Serbia.

In the war against Croatia Serbia also used other property of former Yugoslavia. For the Conference on former Yugoslavia, international experts estimated its property to around 95 billion dollars. Its biggest portion is military property, which is more than 71 billion dollars. Most of this property remained at Serbia's disposal. Table 2 indicates the above thesis.

When the value of the total property is cleared of debts, an amount of 59 billion dollars remains, which has by most part been at Serbia's disposal. The exact amount Serbia snatched is presently hard to establish. However, estimates can be made. Military property is most easily estimated. It is a fact that no movables of some value have remained in Croatia. Everything that could be taken away was taken away. What could not be taken away was destroyed.

The report of the expert team for the first time reveals figures on former Yugoslavia's debts. It was treated as strictly confidential information, the only thing which was discussed was the capital, and this was done depending on the situation. The actual debts were unknown to the citizens of the former state.

Table 2: Estimation of Property and Debts of Former Yugoslavia

— on December 31, 1990

— in millions Yugoslav dinars and US dollars (1 US dollar=10,567 YU dinars)

	dinars*	US dollars
Financial resources	215,000	20,346
Federal government property	15,000	1,420
Other property	3,000	284
Military property	734,000	71,354
Infrastructure	19,000	1,798
Total property	997,000	95,193
Total debts	374,000	35,393
Net value of total property	629,000	58,957

* The amounts have been rounded which accounts for certain differences in sums

International debts of former Yugoslavia amounting to 16 billion dollar were occasionally discussed. However, today it is obvious that the identified debt of the former state was 35.4 billion dollars, which means that every third dollar of the former Yugoslavia's property was under international mortgage. Total debts against property are around 37.2%, which is characteristic of extremely indebted countries. Thus, the former state has left numerous problems in different areas to its successors. Therefore, the process of succession will be extremely complex and it will definitely not be completed soon.

However, according to the known facts, it is already possible to make an objective estimation, which might illustrate future developments.

Once the process of succession is started, the property division plan made by the International Monetary Fund might be taken as a criterion. The need for division emerged when the Fund decided to accept Croatia and Slovenia, sovereign states established upon the disintegration of Yugoslavia, as its full members.

In accordance with this need, the Fund applied the participation of former Yugoslav republics in the GNP of former Yugoslavia as a division criterion. The scheme of the criterion is based on values given in percentages as follows:

Table 3: Total Obligations of Former Yugoslavia and their Division
— division executed on December 14, 1992

	Per cent
Former Yugoslavia	100.00
Croatia	28.49
Bosnia-Hercegovina	13.20
Slovenia	16.39
Macedonia	5.40
Serbia and Montenegro	36.52

According to the above division, Croatia participates in obligations of former Yugoslavia toward the Fund with 28.49%. Applying the same key, Croatian property in total financial property can be separated from the total property and total debts of former Yugoslavia.

Table 4: Division of Financial Property of Former Yugoslavia According to IMF Criterion

— in millions US dollars (1 US dollar=10,567 YU dinars)

Former Yugoslavia	16,822*
Bosnia and Hercegovina	2,228
Croatia	4,793
Macedonia	912
Slovenia	2,767
Serbia and Montenegro	6,165

*The amounts have been rounded, which accounts for certain differences in sums

Croatia was, accordingly, robbed of 4 billion and 793 million dollars, which belong to it according to the given criterion. This amount is a solid base for financing an army of 200,000 people throughout a long period of time. This would mean 23,964 US dollars per each active soldier. The

misappropriated financial property of other former republics amounting to about 5 billion and 907 million dollars, which is 29,535 US dollar per active soldier, should be added here. We should also add resources of Serbia and Montenegro, amounting to about 6 billion and 165 million US dollars, which makes additional 30,826 US dollars per soldier. The total amount Serbia had on its disposal was 84,325 US dollars per active soldier.

But this is not all. Serbia had most of the remaining property on its disposal. Owing to international factors Serbia was allowed to pull out most of the military property from Croatia, which was later used in the aggression against Croatia.

What this is all about is shown in data collected for negotiation on the succession of former Yugoslavia. The participation of Croatia in the estimated property and debts of former Yugoslavia, which was based on the criterion of the International Monetary Fund, is shown in the Table 5.

Table 5: Croatia's Participation in the Estimated Property and Debts of Former Yugoslavia

— estimation made of December 31, 1990

— in millions of US dollars (1 US dollar=10,567 YU dinars)

— according to IMF division criterion

	Property of former Yugoslavia	Croatia's participation
Financial property	20.346*	5.796
Financial debts	35.393	10.083
Federal government property	1.420	405
Other property	284	81
Military property	71.354	20.329
Infrastructure	1.798	512
Total property	95.193	27.120
Total debts	35.393	10.083
Net value of total property	58.957	16.797

*The amounts have been rounded, which accounts for certain differences in sums

Of the total amount of former Yugoslavia is property, Croatia claims 27 billion and 120 million US dollars. If Croatia's portion of former

Yugoslavia's debts is deducted from this amount, then Croatia claims 16 billion 797 million dollars.

One should bear in mind that this is an estimation based on information available on December 31, 1990. The estimation is not complete because not all the elements were taken into account. There are still many undefined items of hidden property which could not be identified by that time. For example, claims towards a third party are not given in the calculation, especially those concerning Iraq, Libya and the former USSR (its successors respectively). As far as we know, in its trade exchange with the former USSR, former Yugoslavia had a surplus of 1.8 billion US dollars. Serbia unilaterally compensated this amount by buying MIG 29 fighter jets and other military equipment despite the international embargo.

This is why it is quite certain that the value of former Yugoslavia's property will be enlarged by new findings. However, it is already clear that in the new calculation Croatia's balance will be definitely positive and claims towards Serbia and other states formed on Yugoslavia's ruins.

This will be particularly evident in paying off former Yugoslavia's debts. Although the calculated participation of Croatia in total debts of the former state makes more than 10 billion dollars, the actual amount can by no means be that large. It has to be significantly smaller, simply due to the fact that investments in Croatia based on international loans were far beyond the average investments in other regions of former Yugoslavia, which can be easily documented.

We can expect difficulty only when it comes to unidentifiable debts as was the case with the deposit (membership quota) and debts towards the International Monetary Fund. This is not the case with the World Bank. Here it is absolutely clear who the loan user is, so it is possible to define the obligations. Also, when it comes to commercial credits, the beneficiary and the debtor is known.

Debt payment solidarity is unacceptable. Although international creditors currently insist on this (it seems to be the main reason for the disruption of negotiations with the Paris Club), arguments are in favour of Croatia. Croatia is really not obligated to accept solidarity in paying off something that others spent.

It is a well-known fact that Croatia's total foreign credits were the smallest. During the period of "living together" in former Yugoslavia Croatia was treated as a developed republic and international credits were mostly used for financing investments in less developed republics and the province of Kosovo. In other words, foreign credits were used predominantly for financing the development of Kosovo, Macedonia, Bosnia-Herzegovina and in the latest period for financing the development of Serbia proper (Serbia without Kosovo and Voivodina), because it received the status of an underdeveloped region by a federal decision made in the late

eighties. Serbia's present debts are the biggest due to the fact that Kosovo, where most foreign investments were made, became an integral part of it.

Finally, another fact throwing more light on Croatia's position in former Yugoslavia and demonstrating the reason why Serbia militarily attacked Croatia should be noted. Croatia (and Slovenia) were continuously financing different expenses from the military and government administration to various offices and a large bureaucracy (more than 47 thousand only in the so called federal administration).

From 1945 to 1990 the Croatia's share in the population of former Yugoslavia fell from 23.2% to 19.6%. In the same period, Croatia's participation in the industrial production of former Yugoslavia fell from 29.2% to 21.6%. Also, employment fell, compared to other former republics, from 27.2% to 23.5% and at the same time Croatia had the largest number of emigrants. Other indicators from this period are unfavorable for Croatia, too. However, on the other hand, Croatia's financial participation in the so called common affairs and in financing the so called insufficiently developed republics and provinces was the biggest.

If we use the above mentioned estimation of the International Monetary Fund saying that Croatia's participation in former Yugoslavia's GNP was 28.49% and compare this to former Yugoslavia's GNP for the entire post war period, it will bring us the value of Croatia's GNP. Since Croatia participated in the so called federal expenditure through taxes, customs duties and dues with 15% of its GNP, and with 5% of its GNP through financial manipulations of the National Bank of Yugoslavia and through Yugoslavia's non-budget balance, this amounts to 20% of its GNP and the amount of Croatia's money ending up in the "common" treasury in the 45-year-period can be easily estimated.

According to international statistics, former Yugoslavia's GNP was 11 billion US dollars in 1945. In 1965 it was 45 billion US dollars and in 1985 it was 63 billion US dollars. In the next five years there was so increase of the GNP because it was a time of extreme stagnation of the former Yugoslavia's economy. It was the beginning of the end and a time of the inability of the Yugoslav rulers to stabilize generally the economic and political situation by reform. This is why in 1990, the year of the first really free elections, the former Yugoslavia's GNP was as high as 63 billion US dollars.

In the last 45 years the average annual former Yugoslavia's GNP was 40 billion US dollars. According to the International Monetary Fund's key, Croatia participated in the former Yugoslavia's GNP with 28.49%, which is 11 billion and 396 million US dollars. As 20% of total former Yugoslavia's expenditure was paid by Croatia, it turns out that Croatia annually paid into the federal budget 2 billion and 275 million US dollars. For the last 45 years it makes 102 billion and 375 million US dollars.

This is an extremely large amount in Croatia's circumstances. It would be as large an amount even for more developed countries. This amount was not compensated in any way as some seem to suggest. It was not compensated by profits made in the former Yugoslavia's market, simply because Yugoslavia's market did not have any significance for Croatia. World trade exchange was always more important for Croatia than trade exchange with the republics of former Yugoslavia, and Serbia in particular. Of the total GNP Croatia traded only two tenths in the market of former Yugoslavia, more than a tenth of which concerns Slovenia. The percentage was not higher than 7 percent of GNP when it came to trade exchange with Serbia, and not higher than five percent with Bosnia and Herzegovina. These are statistics which can be easily checked.

This is all to explain that Croatia had no economic reasons for being a part of former Yugoslavia. It was the other way around, the economic reasons spoke against that 'togetherness'. Today Croatia could have been highly developed country in any respect had it not been taken away more than 100 billion dollars in the last 45 years. It could have built a network of highways and a modern industry of the kind typical of small states. It could have attracted more tourists to its beautiful coast. It could have been a modern state in any respect instead of now facing huge destruction, unemployment and the problem of displaced people.

These facts eliminate any possibility of creating a new synthetic state. The international public and advocates of such an idea should be well aware of these facts.

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