

UN report links Cypriot bank with Milosevic arms purchases

By Kerin Hope in Athens

Greece's Socialist government has asked the central bank to examine a report linking an Athens-based Cypriot bank with a network of front companies used by Slobodan Milosevic, the former Yugoslav president, to buy military equipment for Serbia's wars in Bosnia and Kosovo.

The report, prepared by investigators for the United Nations war crimes tribunal at The Hague,

describes an intricate system of transfers carried out through banks in Greece, Cyprus, Austria, Bulgaria and Switzerland to avoid international economic sanctions against Yugoslavia.

A Greek government spokesman said the UN report was referred to the Bank of Greece and the foreign ministry "because there are serious financial and political issues to be addressed".

According to the report, more

than DM1.5bn in revenue diverted from the Yugoslav customs authorities was delivered in cash to Cyprus between 1992 and 2000. This amount was deposited in accounts held by eight Yugoslav front companies at Popular Bank of Cyprus, which is 20 per cent owned by HSBC, and Hellenic Bank, the island's second and third biggest banks.

The accounts of the eight companies, all registered as Cyprus-based offshore businesses, were

managed by employees of Beogradaska Banka, the state-controlled Yugoslav bank, from its offshore branch in Nicosia. Payments were made from these accounts to US, Russian and Israeli military suppliers.

The companies also held accounts at European Popular Bank of Cyprus, the Athens subsidiary of Popular Bank. But in contrast with the Cyprus central bank, which last April made a large number of documents avail-

able to the UN investigators, the Greek authorities were unco-operative.

The report says: "There were many large transactions between the accounts held with the European Popular Bank and the Cyprus Popular Bank. But without access to all the records of the EPB accounts of the eight Cypriot companies, it is impossible to reconstruct all their debit transactions."

The report is seen as a further

embarrassment for Greece over its reluctance to pursue the financial dealings of the Milosevic regime. Successive governments have faced international criticism over the role of prominent Greek politicians and businessmen in supplying oil, weapons and spare parts to Belgrade in the 1990s in defiance of sanctions against Yugoslavia.

The justice ministry in February provided documents about 250 accounts held by Yugoslav

companies at Greek banks in response to a request from the UN, but stopped short of investigating their activities in Greece.

Officials at Popular Bank of Cyprus (Greece) – the renamed European Popular Bank – could not be reached yesterday to comment on the report. But in an interview with the FT last November, Kikis Lazarides, the chairman, denied the bank handled illegal transactions for the Milosevic regime.