

SECURITY  
COUNCILCONSEIL  
DE SECURITE

UNRESTRICTED

S/327  
28 July 1948

---

ORIGINAL: ENGLISH

LETTER DATED 28 JULY 1948 FROM THE REPRESENTATIVE OF  
YUGOSLAVIA TO THE SECRETARY-GENERAL, TRANSMITTING A  
NOTE FROM THE GOVERNMENT OF THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA  
CONCERNING THE FREE TERRITORY OF TRIESTE

28 July 1948

I am instructed by my Government, the Federal People's Republic of Yugoslavia to introduce the attached note to the Security Council. I beg you, Sir, to transmit it to His Excellency Mr. Dmitri Manuilsky, president of the Security Council, advising him of my Government's request to put the matter concerned on the agenda of the Security Council.

I beg you also to advise Mr. Manuilsky of my Government's request to participate in the discussion of this matter when it is brought before the Security Council. My Government has appointed me to represent it when this matter is discussed.

/s/ Joza Vilfan

---

Joza VilfanPermanent Representative of The F.P.R.  
of Yugoslavia to the United Nations

/The Government

The Government of the Federal People's Republic of Yugoslavia has the honour to draw the following to the attention of the Security Council, which, in accordance with Article 21, paragraph 1, and Article 2, Annex VI of the Treaty of Peace with Italy, assures the territorial integrity and independence of the Free Territory of Trieste.

The Government of the Federal People's Republic of Yugoslavia has addressed several notes to the Governments of the United States of America and the United Kingdom relative to consistent acts of violations of the clauses of the Treaty of Peace with Italy regarding the Free Territory of Trieste on the part of the Allied Military Command, respectively on the part of the American and British Governments. The Government of the Federal People's Republic of Yugoslavia duly informed the Security Council of one of these notes, dated April 12, 1948, Nr. 49735, which it had addressed to the Governments of the United States and the United Kingdom.

From the facts which have been disclosed in the aforementioned notes, the intention of the Allied Military Command to infringe on the independence of the Free Territory of Trieste has become quite clear. In the recent period, the Allied Military Command undertook measures which were a further breach of the Treaty of Peace and which placed the independence of the Free Territory of Trieste in jeopardy.

I.

In Article 21 of the Treaty of Peace, the Allied and Associated Powers, as well as Italy, recognized the independence of the Free Territory of Trieste. This independence of the Free Territory of Trieste was placed under the assurance of the Security Council.

In accordance with Article 24, paragraph 4, Annex VI of the Treaty of Peace, economic union or associations of an exclusive character with any State are incompatible with the status of the Free Territory of Trieste. This provision of the Permanent Statute can and, therefore, in accordance with Article 2, Annex VII, of the Treaty of Peace, must be applied during the Provisional Regime as well.

This is also stated in the decision of the Conference of Foreign Ministers in Moscow, dated April 22, 1947. Therein

/it is explicitly

it is explicitly stressed that in the solution of the questions of the budget, balance of payments, currency, customs and other financial and economic questions concerning the Free Territory of Trieste, the economic independence of the Free Territory should be provided for in accordance with the provisions of the Permanent Statute, particularly paragraph 4 of Article 24 of the Permanent Statute - all this being applicable also for the period of the validity of the instrument for the Provisional Regime of the Free Territory of Trieste.

In accordance with Article 11, Annex VII of the Treaty of Peace, the Italian lira shall continue to be the legal tender in the Free Territory of Trieste pending the establishment of a separate currency regime. Italy is thereby obliged to conclude a treaty with the Allied Military Command, as well as with the Military Administration of the Yugoslav Army, which would insure the supply of liras and foreign currencies to the Free Territory of Trieste and which would not violate the conditions in Article 21 of the Treaty of Peace and Article 24, paragraph 4, of the Permanent Statute, to which Italy is also bound. Therefore, there is no doubt that there exists a treaty obligation for the Allied Military Command, as well as for Italy, to effectuate the supply of Italian liras to their zone in such a way that the economic independence of the Free Territory of Trieste will not be destroyed.

In spite of this, the Allied Military Command has concluded a number of treaties with Italy, which are in complete contradiction to this obligation, and which have as a final effect the economic incorporation of Trieste into Italy.

These treaties are the following:

1. An agreement dated March 9, 1948 between the Republic of Italy and the Allied Military Command concerning the regulation of certain financial questions arising from the execution of the Treaty of Peace. The first article of this agreement reads as follows:

"The Italian Government and the Command of the Zone undertake to place no restrictions on the free movement of bank notes and notes of the Italian State between their respective territories in order that the requirements for economic activities may continue to be provided through the normal financial channels."

/Thus, the monetary

Thus, the monetary frontier has been wiped out; and, other articles of the same agreement further put the Free Territory of Trieste, with regard to monetary problems, under the sovereignty of Italy. According to Article 2 of this agreement, each time the Italian Treasury has been allocated an effective supply of currency, the Allied Military Command will similarly be granted an amount equivalent to 0.65% of these means, which operation will be transacted by the Trieste branch of the Bank of Italy, which, according to Article 4 of this agreement, will administer the Treasury of the Zone. Should the Italian Treasury return any part of these means to the Bank of Italy, the Allied Military Command is there-with obliged to return the proportionate amount.

The first sentence of Article 5 of the agreement reads:

"The Command of the Zone will apply in the Territory under its jurisdiction all regulations of the Italian Republic concerning monetary circulation and will avoid taking any contrary measures."

Thus, the Free Territory of Trieste is subjected to the measures of the Italian Government, by which it increases or decreases the circulation of notes, in accordance with its own estimates and in the exclusive interest of Italy, without any possibility for the Free Territory of Trieste to protect its rights in any way whatsoever and without any obligation to issue advance information regarding such measures to the Allied Military Command.

Moreover, the Allied Military Command is obliged on the basis of this agreement to directly apply the Italian regulations regarding the circulation of money in the Allied Zone. It is obvious that this is more than a monetary union: This represents in a monetary regard the submission and incorporation of part of the Free Territory of Trieste into Italy - and the destruction of the economic independence of the Allied Zone of the Free Territory of Trieste.

2. An agreement on finance, also dated March 9, 1948, provides that Italy will finance the administration of the Zone, and that the Italian Government thereby will be granted complete control of its finances. It is clear that the aim of this agreement is not merely to subject temporarily the Allied Zone of the Free Territory of Trieste to Italy, but by implicating the Free Territory of Trieste in a debtor relationship with Italy, to prevent in advance its economic, and, consequently, its political independence.

/Hence,

Hence, in addition to the serious violations of the above mentioned clauses of the Treaty of Peace and of the decisions of the Council of Foreign Ministers, the Allied Military Command has gone far beyond its mandate by imposing on the future government of the Free Territory of Trieste a contractual obligation, the final amount of which is not determined at the present time and which will eventually depend only on the agreement between the Anglo-American part of the Free Territory of Trieste and the Italian Government.

3. An agreement on the provision of foreign exchange for the Zone, also dated March 9, 1948, completes this work. Article 2, paragraph 1, of this agreement reads:

"The Italian Government and the Command of the Zone recognize that the operation of the provisions of Article 11, Annex VII of the Treaty of Peace must involve the application to the Zone as heretofore of the Italian exchange control regulations. The Italian Government shall receive current foreign exchange earnings accruing to the Command of the Zone under the exchange regulations in force."

Hence, the Anglo-American Zone of the Free Territory of Trieste is completely subordinate to Italy in regard to foreign trade as well.

"Informazioni per il commercio estero - Bollettino settimanale dell' Istituto Nazionale per il commercio estero," dated May 6, 1948, has issued the agreement between the Italian Government and the Allied Military Command, with respect to the fulfillment of the agreements made on March 9, 1948, which, in its second paragraph asserts that, according to the agreement of March 9, 1948, all existing trade and payment agreements between Italy and other nations are considered extended to the Zone as well.

In fact, the Allied Military Command has thus handed over to the Italian Government control of the most important foreign relations of the Anglo-American Zone. This constitutes the most flagrant violation of the basic task of the mandate, as entrusted to the Allied Military Command in Article 1, Annex VII of the Treaty of Peace - to protect the independence and integrity of the Free Territory of Trieste. The destruction of the independence and the inclusion of the Anglo-American Zone into Italy, in the provisions of the cited article of the agreement of May 6, 1948, have also been formally accomplished, as the Italian Ministry of Foreign Trade, through the Ministry of Foreign Affairs, is to inform all states

/with which

with which Italy has trade and payment treaties of its agreement of March 9, 1948, which renders all existing agreements between Italy and other nations effective for this Zone as well. The violation is an open one.

Article 3 of the agreement of May 6, 1948 provides that the Ministry of Foreign Trade and the Allied Military Command will reconvene immediately after their respective governments have had the opportunity to revise their obligations within the framework of "The Economic Cooperation Act", for the purpose of establishing an exact position for the Zone in relation to Italy's trade and financial treaties. In the meantime, the Allied Military Command of the Zone has no intention of initiating negotiations of a financial character with any other state in Europe and to date the Free Territory of Trieste has concluded no commercial treaty with any state.

In this way, the text itself stresses the exclusive character of the relation to Italy. Article 24, paragraph 4, Annex VI of the Treaty of Peace with Italy expressly prohibits associations of an exclusive character; but, the agreement of May 6, 1948 goes even further, because it established not only an association but also a subjugation. The other provisions are nothing more than the logical consequence of this alienation of the independence of the Anglo-American Zone of the Free Territory of Trieste. According to Article 1 of this agreement, circular letters, bulletins and in general all written instructions of the Ministry of Foreign Trade will be applied to the Zone; and, as is indicated in Article 4, the Trieste Custom House will be included in the customs system of Italy. Thus, the entire Zone is encompassed in the customs system of Italy.

On April 24, 1948, the Italian Department of Currencies (Direzione Generale Valute) issued an announcement which read as follows:

"Between the Free Territory of Trieste and Italy there is no customs barrier and therefore no obstacle exists for the exchange of goods between Trieste and Italy, with the exception of those essential to this territory and which the Allied Military Command will not allow for import into the Republic.

"The Custom House in Trieste is to all practical purposes considered equal for both export and import to any Italian custom house, with the reservation that the Allied Military Command issues permits exclusively, for the Custom House in Trieste, to business firms which are members of the Trieste Chamber of Commerce. But the permits, if the competent Italian authorities agree, may be valid for any other Italian custom house."

Paragraphs 5 and 6 of the agreement of May 6, 1948 disclose that the Anglo-American Zone in Trieste, as far as the import of goods is concerned, is completely dependent on the Italian Ministry of Foreign Trade, as this ministry must approve all special purchases abroad. Paragraph 7 points out the obligation of the Allied Military Command to issue import and export permits, only with the prior approval of the Italian representative in Trieste. In paragraphs 8 and 9, the Italian regulations, in regard to "exports without the obligation to cede the currency" (esportazioni senza obbligo di cessione di valuta) and in regard to "imports franco currency" (importazioni franco valuta) are extended to the Anglo-American Zone of the Free Territory of Trieste. In paragraph 11, the Anglo-American Zone of the Free Territory of Trieste assumes the obligation to liquidate all special accounts at the Bank of Italy in Trieste, which presumably are in contradiction to the trade treaty between the Federal People's Republic of Yugoslavia and Italy.

4. In addition to the above agreement, the Allied Military Command concluded a postal agreement with Italy by which the Anglo-American Zone, in establishing uniform postal rates with Italy, is placed under Italian sovereignty. According to this agreement, the Anglo-American Zone of the Free Territory of Trieste does not represent for Italy a territory of transit and is represented in its relations with foreign countries by Italy, who regulates accounts for the Free Territory of Trieste.

5. The incorporation of Trieste into Italy is being realized not only by agreements as those cited above, but also by the day-to-day administrative decisions of the Allied Military Command of the Free Territory of Trieste.

Thus, the Allied Military Command recently proclaimed June 2nd, i.e. the day celebrating the founding of the Italian Republic, as an official holiday of the Free Territory of Trieste. The reduction of taxes in the interest of business people in Trieste was initiated by the Commission of the Italian Ministry of Finance.

The Allied Military Command places in responsible positions of its administration representatives of that minority of the population of the Anglo-American Zone which openly favours the liquidation of the Free Territory of Trieste, the incorporation of Trieste within Italy.

II.

The Government of the Federal People's Republic of Yugoslavia cannot help but associate these violations of the independence of the Free Territory of Trieste with the widely-known proposal of the three powers to incorporate the Free Territory of Trieste into Italy and it perceives in these violations the plan of the Governments of the United States of America and the United Kingdom to impose on the Security Council, as well as on the states which signed the Peace Treaty with Italy, the "fait accompli" of the incorporation of the Anglo-American Zone of the Free Territory of Trieste into Italy.

The Government of the Federal People's Republic of Yugoslavia, as a co-signer of the Treaty with Italy, as an administrator of that part of the Free Territory of Trieste entrusted to it, as a directly interested party, brings these facts before the Security Council and has the honour to request the Security Council, as the appointed guardian of the integrity and independence of the Free Territory of Trieste:

To declare the above-mentioned agreements violations of those provisions of the Treaty of Peace with Italy which pertain to the Free Territory of Trieste;

To undertake the measures it considers necessary and sufficient for nullifying the respective agreements concluded between the Anglo-American Zone and the Republic of Italy, because by these agreements a situation is created likely to endanger the maintenance of international peace and security; and,

To assure the respect by the Governments of the United States of America and the United Kingdom of their international obligations, thus guaranteeing the independence of the Free Territory of Trieste.

B e o g r a d  
July 28, 1948

H.E. Mr. Dmitri Z. Manuilsky  
Minister of Foreign Affairs  
Ukrainian Soviet Socialist Republic  
President of the Security Council  
United Nations  
Lake Success, New York

