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LETTER FROM THE REPRESENTATIVES OF THE UNITED KINGDOM AND THE UNITED STATES  
DATED 17 FEBRUARY 1948 ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL  
TRANSMITTING THE REPORT OF THE ADMINISTRATION OF THE  
BRITISH-UNITED STATES ZONE OF THE  
FREE TERRITORY OF TRIESTE

Excellency:

We have the honour to refer to the final paragraph of our letters of November 15 and 17, 1947, communicating to the Security Council the text of Proclamation No. 1 issued on September 15, 1947, by the Commander, British-United States Zone of the Free Territory of Trieste.

In accordance with the declared intention of our Governments to report from time to time to the Security Council concerning their responsibilities in connection with the administration of the Free Territory, we have been instructed to transmit the accompanying report by Major General T.S. Airey, C.B., C.B.E., Commander of the British-United States Zone of the Free Territory on the administration of that Zone during the period September 15 to December 31, 1947.

This report has been approved and adopted by our Governments as their report to the Security Council in the terms of our letters of November 15 and 17, 1947, referred to above, and we should therefore be grateful if it could be circulated to the members of the Council at the earliest opportunity.

Accept, Excellency, the renewed assurances of our highest consideration.

(signed) Alexander Cadogan  
Representative of the  
United Kingdom

(signed) Warren R. Austin  
Representative of the  
United States

/REPORT

REPORT OF THE ADMINISTRATION OF THE BRITISH/UNITED STATES

ZONE OF THE FREE TERRITORY OF TRIESTE

15 SEPTEMBER TO 31 DECEMBER 1947

BY

MAJOR GENERAL T.S. AIREY C.B., C.B.E.

COMMANDER BRITISH - UNITED STATES ZONE

FREE TERRITORY OF TRIESTE

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GLOSSARY OF ABBREVIATIONS

- AMG - Allied Military Government
- UAIS - Unione Anti-Fascista Italo-Slovena
- FTT - Free Territory of Trieste
- SCAO - Senior Civil Affairs Officer
- JMG - Yugoslav Military Government

SECTION 1  
HISTORICAL BACKGROUND

1. The Treaty of Peace with Italy (Annex VII Article 1) contains a clear directive that, pending assumption of office by the Governor, the Free Territory shall continue to be administered by the Allied Military commands within their respective zones. My administration of the British/United States Zone has accordingly been based upon the continuance of Allied Military Government already in existence on 15 September 1947, and can be seen in its true perspective against the background of conditions prevailing until that date.

2. The Allied Military Government which now administers the British/United States Zone was originally set up to govern that part of the Italian Compartimento of Venezia Giulia which came under control of the Allied Command when the Yugoslav Army withdrew to the East of the so-called Morgan Line in accordance with the Duino agreement of 20th June, 1945. This area of Venezia Giulia became known as Zone "A" and that to the East of the Morgan Line as Zone "B". AMG Venezia Giulia, as it was then called, was merely one of several regional organisations within the framework of the Allied Military Government of Northern Italy, and derived from Rome the financial and economic sinews of its administration. As such it was a caretaker government bound by international convention, in so far as the military situation permitted, to administer the territory under its control in accordance with Italian law and procedure and making use as far as possible of the existing Italian governmental structure.

3. Conditions in Zone "A" of Venezia Giulia however, contrasted sharply with those of other parts of Italy where AMG was able to turn over a very large measure of control to the local Italian governmental agencies. In Venezia Giulia, already the focus of bitter racial and ideological propaganda, the tense political situation combined with a lack of existing governmental machinery required a closer degree of control. During the period when the area had been first under Fascist Republican and later under Yugoslav rule, the normal Italian civil administration had ceased to exist. The majority of higher officials with administrative experience had disappeared and many of those that remained were tainted with fascism and therefore unacceptable to AMG. No police force remained and public security depended entirely upon Allied troops. It must be borne in mind, however, that the peculiar position occupied by AMG Venezia Giulia in no way affected its basic status as a caretaker administration controlling a territory which still belonged to Italy and in which Italian law and procedure continued to operate under Allied military control in accordance with international convention.

4. Since the establishment of military government in Zone "A" of Venezia Giulia the political keynote has been violent mutual hostility existing between the pro-Italian and the Slav-communist sections of the population. The latter in particular, together with their supporters outside the territory, made it clear from the beginning that they held AMG, in its capacity as guardian of law and order, responsible for the frustration of their designs and lost few opportunities of embarrassing and vilifying the administration with which they openly refused to co-operate. In this atmosphere of political tension it would clearly have been contrary to the interests of public security to organize local governmental or other elections such as were held elsewhere in Italy. Every effort was, however, made to secure popular representation at all levels of local government. To this end, area councils, corresponding to the Italian provincial councils, and communal councils containing representatives of those of the major political parties which were prepared to co-operate, were nominated by AMG. The communist controlled parties publicly refused to participate in those councils and so denied themselves the share in local government which AMG offered them at the time and for which the door was kept open to them for the two years which followed.

5. As part of an Italian compartimento, Zone "A" had to be treated as part of the Italian economy. Indigenous supplies and raw materials, where they were available, were allowed to flow into the Zone and AMG was enabled to share in Italian trade agreements with other countries. Funds for the maintenance of the Zone and for such external commercial activities as were necessary for its economy were obtained on demand by AMG from the Italian Government in accordance with the armistice terms. In return for these facilities, AMG accepted the obligation, as far as the military situation allowed, to abide by the Italian Government's regulations for the control of its currency and for the import and export of goods. In order to discharge this obligation it was necessary for AMG to institute an elaborate system of currency controls, import and export licences and measures for clearing accounts with foreign governments to ensure that lire currency did not leave the region except to Italy. Those controls had to be set up along the Morgan Line, to the East of which the Yugoslav authorities had introduced a new currency of their own.

6. It has always been the policy of the British and United States governments to ensure that supplies of foodstuffs and other essential commodities are available in territory under AMG administration in order to guard against outbreaks of disease and unrest. In the case of Zone "A" of Venezia Giulia it was estimated that this object could be achieved by importing sufficient basic foodstuffs to permit of the issue of a ration

valued at 1000 calories, the remainder of the daily diet being obtainable from indigenous sources. Certain other commodities, such as coal, were imported on the same basis. This "Disease and Unrest" formula was not, however, designed to allow the implementation of any long term programme for industrial rehabilitation. Until July, 1947, the provision of essential civil supplies to meet the disease and unrest formula was the joint responsibility of the British and United States Governments. Since that date, however, Zone "A" of Venezia Giulia, and later the British/United States Zone of the Free Territory of Trieste, have been included in the United States Foreign Relief Programme, which has ensured a continual flow of imported civil supplies.

7. The question of introducing reforms which would result in effecting certain over-all economies in the administrative machinery of the zone has received my most careful consideration. In the exceptional circumstances arising from the delay in the appointment of the Governor, it has not been possible to alter materially the governmental structure as it existed prior to the entry into force of the Peace Treaty. Within that framework, however, every effort is being made to carry on the administration in the most economical manner. The situation, however, has rendered it impracticable to realize the savings in administrative costs which were envisaged by the Commission of inquiry appointed by the Council of Foreign Ministers which visited Trieste in January and February 1947.

SECTION 2  
ESTABLISHMENT OF THE FREE TERRITORY

1. Article I of the Instrument for the Provisional Regime of the Free Territory of Trieste (Annex VII of the Treaty of Peace with Italy), to which I have already referred leaves no room for discussion as to its meaning. The provisional boundaries of the Free Territory, as far as the British/United States Zone is concerned, have been accepted de facto by both Anglo-American and Yugoslav authorities on the ground. In conformity with Article I of Annex VII the two zones are clearly divided by the ex-Morgan Line which has been recognised by all parties concerned since May, 1945. Within the British/United States Zone thus defined I am bound by the Peace Treaty to continue Allied Military Government with no obligation, nor indeed any authority, to set up any other than the existing military headquarters. At no time before the late evening of 15 September, 1947, did I receive any request for the stationing of Yugoslav troops in the British/United States Zone after ratification of the Peace Treaty. Even if such a request had been made I could not have acceded to it in view of the administrative difficulties involved and of the predominantly Italian character of the crowded population of the city itself. I did, however, receive a request on 14 September from the Yugoslav military authorities to allow the passage of troops through the city on their way to Istria. In view of the confusion and bloodshed which might have resulted if Yugoslav troops had at this time come into contact with the excited Italian population I was unable to agree to this request. I therefore offered an alternative route through the British/United States Zone which by-passed the city, together with transport facilities as far as the border. This offer remained unanswered. It was against this background that the events of the night of 15/16 September took place.

2. Some days before 15 September it became known that the ratification of the Treaty of Peace with Italy was impending and final preparations were made to set in motion the plans which had already been laid for the administrative hand over of ceded territory. It had been agreed with the Yugoslav military command that Yugoslav troops should advance into the newly ceded areas, replacing British and American troops, on the morning of 16 September. This arrangement allowed full time for the news that instruments of ratification had in fact been deposited in Paris to reach all military commanders concerned and avoided the possibility of confusion inherent in the

/hand over of



hand over of territory, involving the troops of four different nationalities, in the dark. Yugoslav agreement to this arrangement was received in writing, at 1300 hours on 14 September.

It was not until 2000 hours on the night of 15 September that it became apparent that the Yugoslav military command did not intend to adhere to the firm agreement which they had made with us. At this hour a Yugoslav officer, purporting to come from General Lekic, Commander of 4th Yugoslav Army, arrived at my headquarters with a note written in the Serbo-Croat language, to the effect that General Lekic now intended to move his troops into the ceded areas at midnight, that he would hold the British and United States troops whom he expected to find in the area, responsible for any disturbances that occurred. General Lekic's note went on to state that, at the same hour, a Yugoslav detachment of 2000 men which was at that time stationed in Zone "A" but outside the new Free Territory, would march into Trieste and take up positions therein. I at once ordered the withdrawal of all troops under my command so as to be clear of the ceded territories by midnight and despatched an officer to General Lekic to inform him that I would in no case permit the movement of his troops into Trieste. At the same time I pointed to the gravity of the situation which would arise if any attempt should be made to achieve this object by force, and asked General Lekic to take the matter up through normal governmental channels. In this connection I must again stress the fact that I had received no request to station Yugoslav troops in Trieste, no demand for barracks or other accommodation, and no indication of the route by which these troops might arrive, as would be expected in the case of friendly redistribution of troops as a result of the treaty coming into force. In the early hours of 16 September a mixed column of Yugoslav troops arrived at one of the frontier posts manned by a small United States Army guard and demanded to be allowed to enter the zone. The officer in charge of the Yugoslav detachment then deployed the leading elements of his force and delivered a verbal ultimatum expiring in 15 minutes. The United States troops did not allow the column to pass and by 0400 hours it had withdrawn. The peremptory tone of General Lekic's note, the manner of its delivery by an officer who refused to discuss it or even take back an answer, the sudden change of plan when the Yugoslav command must have known that they had left me less than four hours of darkness

/in which

in which to act after translating their note, and the subsequent action of the Yugoslav troops at the frontier post, have shown that it is necessary at all times to look to the security of the boundaries of the British/United States Zone. The unfriendly, menacing and aggressive character of this episode has also served to convince me of the difficulties and dangers which might arise if Yugoslav troops were stationed among the Italian population of Trieste.

SECTION 3  
BASIC MILITARY GOVERNMENT POLICY

1. Since the coming into force of the Peace Treaty, Allied Military Government policy has been based upon the thesis that, in the absence of a Governor for the Free Territory, the powers of government have been delegated by Article 1 of Annex VII of the Peace Treaty with Italy to the allied military commands within their respective zones. Whether or not those who framed the Peace Treaty envisaged a delay of more than a few days or weeks between its entry into force and the assumption of office by the Governor, the inference to be drawn from Article 1 of Annex VII is that Military Government was intended to continue as a caretaker administration. Such an administration would naturally be bound to adhere to democratic principles, to respect the basic freedoms and fundamental human rights embodied in the Charter of the United Nations and provided for by the Treaty to which all three governments whose military commands are entrusted with administering the Free Territory are signatories. One of the main obligations incumbent upon these military commands is to avoid creating any precedent which would limit or hamper the future action of the Governor. Based upon this conception of my charter, my initial proclamation on assuming office as Zone Commander (See Appendix "A") made it clear that AMG would continue to exercise its former powers and that existing legislation would remain in force until specifically amended or superceded. In view of its status as a trustee administration, it is in fact the policy of AMG only to interfere with such existing legislation if such a course is essential for the well being of the Zone or for the maintenance of public and military security.

SECTION 4  
ORGANISATION OF GOVERNMENT

1. AMG Organisation

For the reasons set forth in Section 1 of this report, AMG has, since its inception, been a direct administration fulfilling the functions which were formerly those of the central Italian Government in Rome. It has therefore had no counterpart in the governmental structure of the area and has no established status in Italian law. The executive head of the AMG is the Senior Civil Affairs Officer, now Brigadier General Ridgely Gaither, United States Army, who is directly responsible to the Zone Commander. The seat of government is the AMG Headquarters at Trieste. The responsible officers on the staff of the headquarters are members of the British and United States Armed Forces, the majority of administrative and clerical appointments being filled by local civilians, who are chosen for their ability and knowledge of Italian Law or Procedure and in many cases ability to speak the English language. The Headquarters is subdivided into Sections and Divisions, corresponding approximately to the ministries in a normal government.

Outside the Headquarters, AMG officers are attached in a supervisory capacity to the centres of provincial and communal government.

2. Local Government Organisation

Working under the supervision of a responsible AMG officer, the head of the local, as distinct from the central, government of the Zone is the Area President, the equivalent of an Italian prefect. He is assisted by an Area Council appointed by AMG, consisting of a Chairman and 17 members, acting purely in an advisory capacity, and has his headquarters in the Trieste Prefettura. The Area Headquarters was in fact the Headquarters of the administration of Trieste Province when the territory was under Italian control and as such is organised and staffed in accordance with Italian law and administrative procedure. Below Area level, the Zone is divided into 6 communes, or parts of communes, with boundaries and status established by Italian law. Each has a local administration centralised under a Communal President, assisted by a Communal Council and working under the supervision of an AMG officer.

3. For the reasons given in Section 1 of this report, the Area and Communal presidents (paid officials) and Councils are nominated by AMG from representatives of the major political parties, excluding the

extreme left wing UAIS and the local communist party, which declined to participate in local government bodies in which other parties were represented.

4. Possibilities of Rationalising the Administration

In view of the proximity of the seat of the central government and the small size not only of the British/United States Zone but of the Free Territory as a whole, the maintenance of the Area organisation as a separate link in the administrative chain is uneconomical and involves needless duplication of effort. The possibility of rationalising the administration of the Zone, as recommended by the Trieste Commission of Inquiry, by amalgamating the Area Headquarters with the central AMG Headquarters was therefore made the subject of a detailed examination. As a result it was decided that, although the amalgamation would make possible a substantial saving in overheads, it would be improper and ultra vires for AMG, whilst under its present charter, to implement it for the following reasons:

(a) To do so would have been contrary to the principle of the maintenance of the "status quo" inherent in Article 1 of Annex VII of the Peace Treaty and would only affect part of the Free Territory and not the whole, thereby possibly prejudicing the future freedom of action of the Governor.

(b) AMG would be compelled to pass complicated legislation in abrogation of long standing Italian laws and regulations. By doing so, it would lay itself open to accusations of arbitrarily usurping the functions of the Popular Assembly, which cannot be elected until after the assumption of office by the Governor.

5. Police Organisation

The British/United States Zone Civil Police was formed in 1945 under the name of the Venezia Giulia Police Force. It at present consists of 23 British and United States Army Officers, 14 of whom are professional police officers in their respective countries, and 5,753 local personnel of all ranks. It comprises 8 Divisions, and is divided geographically into 5 Zones. In addition to normal police duties, it is responsible for the exercise of a variety of functions including fiscal control and the manning of all frontier posts, a task involving the permanent deployment of a considerable proportion of its strength. The force is trained on the lines of the London Metropolitan Police and, has acquired a reputation amongst the more stable elements of the population for impartiality, firmness and efficiency.

SECTION 5  
FOREIGN RELATIONS

1. Foreign Economic Missions to AMG

Missions empowered to deal with economic and related problems of mutual interest to their governments and AMG have been accepted from Italy, Yugoslavia and the Yugoslav Zone of the Free Territory. The Italian Mission arrived shortly after the ratification of the Peace Treaty. Settlements have been reached on numerous day to day problems and negotiations are nearing completion for temporary agreements for the administration of the Railway, Postal and Telecommunications services in the Zone. By informal agreement, commercial operations and the flow of indigenous supplies between Italy and the Zone are continuing as they did prior to the coming into force of the Peace Treaty. The completion of firm arrangements covering these and other economic subjects has, however, been delayed pending a settlement as to the means whereby funds and foreign exchange for the maintenance of the Zone are to be provided.

Meetings between the Yugoslav Military Government Mission and AMG take place weekly. A basic disparity of views quickly became apparent as to the necessity, maintained by AMG, for treating the two Zones as separate economic units. Working arrangements have however been reached whereby there is no impediment to free movement across the inter-zone boundary of residents in the Free Territory or to the circulation of goods and produce within the limits necessarily imposed by the AMG currency controls and the regulations preventing the movement out of the British/United States Zone of commodities which are in short supply.

Some delay occurred before the Yugoslav (Belgrade) Government Mission was finally established in Trieste because the Zone Commander was constrained to invite M. Rudolf Kurelic, the Acting Head of the Mission to leave the Zone following a press conference given by M. Kurelic on the 17th October, 1947, in the course of which he made unfounded and provocative statements to the effect that Allied Military Government had obstructed Yugoslav participation in the Trieste Samples Fair. Discussions on a wide range of subjects are, however, about to begin.

2. Protection in Foreign Countries of the Interests of Residents in the British/United States Zone

Owing to the fact that the majority of Triestine residents and

/commercial

commercial undertakings still have Italian affiliations and thus enjoy a measure of Italian protection, the problem has not so far become acute. In cases where protection abroad is required however, AMG is prepared, either to take action itself, if the foreign country concerned is one of those which has an Economic Mission at Trieste, or to request the appropriate British or United States Embassy or Consulate to do so on its behalf.

SECTION 6.  
PUBLIC SAFETY

1. AMG is bound in every way to respect the basic human rights. It has therefore been my policy to adhere to the principles of freedom of speech, of assembly and of the press, so long as they do not conflict with the discharge of its overriding responsibility for the preservation of law and order. Public political meetings are normally permitted on the following conditions:

(a) That the time and place of each meeting is clearly stated and that the permission of AMG is obtained a reasonable time in advance.

(b) That the organisers are prepared to guarantee and AMG is satisfied that no incitement to disorder, unrest or disrespect for the laws or government of the Zone will occur.

2. No censorship is imposed upon the local press but existing laws provide penalties for the publication of matter calculated to jeopardize public safety or detrimental or disrespectful to the British and American armed forces or to the Government of the Zone. Although the Slav-Communist elements of the press have indulged in almost daily vilification and abuse of AMG, of the civil police and of the British and American governments, AMG has refrained during the period under review from prosecuting those responsible for such publications. As from 11 October, however, the circulation in the Zone of an offensive and obscene pseudo-humorous publication, *L'Innocente* published in Fiume in the Italian language was prohibited. This paper had published in connection with a pending trial an article calculated to incite or promote violence and disorder in this Zone. All possible latitude has been given to the holding of public political meetings under conditions described above but in view of the permanent state of tension in the Zone and the irreconcilable hostility existing between the Italian and the Slav-Communist elements of the population, applications for open air parades, processions and similar demonstrations have had to be very closely scrutinized and in some cases refused. During the period 15 September to 31 December applications for the holding of public meetings (including political, social and sporting events) were dealt with as follows:

	Granted	Refused
From Slav and Communist Organisations	100	12
From "Independent" Parties	16	1
From pro-Italian Organisations	130	5

/In view



In view of a growing tendency to use political meetings as a pretext for assembling and parading persons dressed in military or paramilitary uniforms, it has been found necessary to enforce the existing law against the unauthorised wearing of such uniforms. The unauthorised possession of firearms, ammunition, hand grenades and similar lethal weapons is forbidden under heavy penalties. The incidence of such offences as the throwing of bombs at public gatherings and the damaging of property by the use of explosives cast a regrettable reflection on the political immaturity and lack of social responsibility of certain elements of both rival factions. It should be pointed out that, both before and after the coming into force of the Peace Treaty, young Italian hotheads, for whose activities older persons should be held largely responsible, were conspicuous for their share in these incidents. It has also been necessary to take action against individuals guilty of intimidation or incitement to disorder in connection with strikes, the reasons for which have been clearly established as political and unconnected with bona fide economic or working conditions. Apart from crimes and disturbances of a political or semi-political nature, the crime statistics of the Zone are believed to compare favourably with those of other Southern European areas.

SECTION 7  
CONDITIONS OF RESIDENCE ENTRY AND EXIT

1. AMG has not regarded itself as empowered to examine and adjudicate on claims for citizenship of the Free Territory. It has, however, taken steps to ensure that during its tenure of office the population of the Zone does not swell through unauthorised infiltration from abroad. For this purpose, a system of overstamped identity cards has been instituted for persons who were living in the territory on 15 September, 1947 or who are genuinely entitled to return to it. A similar system is being adopted in the Yugoslav Zone and it has been agreed that, subject to certain safeguards, the holders of stamped cards issued by either Military Government will be permitted to circulate freely in both Zones. In the meantime, pending the coming into force of the system of overstamping, free movement between the two Zones has been permitted to all holders of identity cards issued by AMG and Yugoslav Military Government prior to 15 September, 1947 to residents of Zone A and Zone B of Venezia Giulia. The volume of this interzonal traffic is indicated by the fact that, since the Peace Treaty came into force a monthly average of 70,656 crossings through the control posts on the roads joining the two Zones have been recorded. This figure of course includes persons living close to the frontier, who find it necessary to cross it repeatedly in the course of their day to day business. Persons not in possession of overstamped identity cards are required to obtain entry permits or similar documents issued by AMG, before they can enter or circulate in the Zone. In view of the affiliations existing between the population of the Zone and other countries, particularly Italy, it is the aim of AMG to make the procedure for obtaining entry permits as simple and expeditious as possible. A simplified procedure for movement to and from Italy has already been put into operation and it is hoped that similar arrangements on a reciprocal basis will shortly be reached in the case of Yugoslavia. Appendix "B", showing the numbers of persons of all nationalities who have been recorded as crossing the frontiers of the British/United States Zone with Yugoslavia and Italy during the last 3 months, gives an indication of the extent of the affiliation of the population of the Zone with those two countries.

SECTION 3  
THE ECONOMIC SITUATION

1. Background

The British/United States Zone has an estimated population of 500,000, of which some 200,000 are concentrated in the City of Trieste. The Zone depends for its existence on imported supplies of food and raw material. Apart from shipbuilding and a comparatively few manufacturing and processing industries, it has hitherto relied for its prosperity on mercantile activities, such as shipping, insurance, brokerage and banking. Owing to the destruction wrought by the war, changes in the social and economic structure of Central and Eastern Europe and the reluctance of the holders of capital to invest it in an area with a temporary government and an uncertain future, the commerce of the city is now far below its pre-war level. This has resulted in heavy unemployment, particularly amongst "white collared" workers, who without special training, are unsuitable for manual labour.

2. AMG Economic Policy

The object of the economic policy of AMG is the prevention of disease and unrest in the Zone during the military government period. Its efforts in the economic field have therefore been concentrated on:

- (a) Ensuring adequate supplies of food and other essential commodities at reasonable prices.
- (b) The maintenance in operation of essential services.
- (c) As far as possible, keeping down the level of unemployment.

The charter of AMG, is essentially a short term one and precludes the implementation of anything in the nature of a far reaching economic rehabilitation programme. The main reasons for this restriction are:

- (a) The funds required to meet the cost of maintaining the Zone are provided partly by the United States in the form of relief supplies and partly by advances from the Italian Government, the terms of which are still the subject of negotiation. Article 11 of Annex VII of the Peace Treaty gives no indication as to how or when the ultimate government of the Free Territory is to repay such advances. AMG has therefore had no alternative but to limit its expenditure to the minimum required to enable it to fulfill its responsibilities under the "disease and unrest" policy.

- (b) The formulation of a long term economic plan will be one of the main tasks of the ultimate government. It will in fact be upon the soundness or otherwise of that plan, more than on any /other factor,

other factor, that the future of the territory will depend. In these circumstances it would obviously be improper for AMG to embark on a course of action which would inevitably tie the hands of its successor administration in the discharge of so important a responsibility.

(c) It would in any event be impracticable for a caretaker administration to offer the financial and commercial securities which the backers of any long term programme would require.

### 3. Provision of Food and Other Essential Commodities

It is the aim of AMG to ensure that the average daily diet of the working population of the Zone is maintained at a value of not less than 2,100 calories, and that adequate fuel is available for domestic use. A ration valued at 1,000 calories is provided at extremely cheap rates from supplies imported under the United States Foreign Relief programme. It is interesting to note that, during the period under review (3-1/2 months), the following tonnages of the United States relief supplies have been delivered to the Zone:

Wheat and Flour	17,000	metric tons
Lard	5,490	" "
Preserved Meat	308.5	" "
Evaporated Milk	902	" "
Dried Vegetables	198	" "
Coal	45,836	" "
Fatty Acids (Soap Making)	164	" "
Powdered Milk	146	" "

These supplies are sold to the public through retailers at controlled prices, the proceeds being devoted to relief projects for the benefit of the people of the Zone at the discretion of the resident United States Foreign Relief Administrator.

It is estimated that the balance of the daily diet, over and above the proportion provided under the United States Foreign Relief Programme, can be purchased locally, albeit at higher prices than are desirable. The question of extending the system of rationing and price control so as to reduce the cost of certain commodities now purchaseable on the free market is under examination. The fact remains however that the chief source of supply of foodstuffs for the Zone is and always has been North East Italy, where prices remain extremely high. Italian wholesalers cannot be expected to sell their goods to the Zone if the prices offered are lower than those which they can obtain elsewhere.

It is therefore evident that, so long as prices in Italy remain at their present level, the only means whereby the cost of the daily diet in  
/the Zone

the Cone could be reduced, apart from the unsatisfactory expedient of subsidising sales, would be by increasing the calorific value of the imported ration at the expense of the United States.

4. Trade with Italy

Due to historical and economic association between Trieste and North East Italy and the fact that the majority of Triestine commercial undertakings depend on Italian capital, by far the greater volume of trade is with Italy. It is interesting to note that the average monthly indebtedness of Triestine banks to Italian banks amounts to some 1,500 million lire.

5. Trade with Yugoslavia and the Yugoslav Zone of the Free Territory

It is the policy of AMG to do everything possible to encourage trade with its neighbours and to neglect no opportunity of importing useful commodities. Although bound by its obligation towards the Italian Government to maintain a system of import and export licences and of payment through clearing accounts, experience has shown that the procedure in force imposes little real restriction on trade. AMG is moreover at all times prepared to examine any proposals for improving the existing arrangements so as to minimise inconvenience, provided that no departure from the principles on which they are based is involved. The average monthly value of transactions passed through the clearing account with Yugoslavia and the Yugoslav Zone during the period under review was:

Imports - 267-1/2 million lire

Exports - 250 million lire

6. Trade with Other Central European Countries

Every opportunity is and will be taken of completing trade arrangements with other European countries. The shortage of foreign exchange, however, and the comparatively small volume of manufactured and processed goods which it is as yet possible to export from the Zone, except to Italy, generally limit such arrangements to transactions involving the importation of needed commodities in payment of port dues.

Allied Military Government has made financial arrangements with Czechoslovakia, whereby that country permits the export of certain materials and products to Trieste in exchange for credits advanced by local banks to finance Czechoslovakia's use of the Port of Trieste. AMG has permitted local importers to bring in items most critically needed for reconstruction and general rehabilitation. These items include timber, glass, constructional steel, sugar and other products. All such arrangements are made by the Trieste Chamber of Commerce.

7. A table showing the comparison of trade with Italy, Yugoslavia (including Yugoslav Zone) and other States is shown at Appendix "C".

## 8. Industry

With the creation of the FTL, several important industries were lost to Italy including the Cantieri Riuniti dell'Adriatico Shipyard, Solway soda works and Prima Sprimatura oil seed pressing factory at Monfalcone, the Cotonificio Triestine cotton spinning and weaving mills at Gorizia and Ronchi and the silk spinning industry centered on Gradisca.

Of the remaining industries, all are concentrated in Trieste with the exception of the Cantieri Riuniti dell'Adriatico Shipyard and two or three small boat building yards at Muggia and the stone and marble quarries around Aurisina.

In Trieste the most important industrial establishments are the San Marco shipyard and San Andrea marine engineering works of the Cantieri Riuniti dell'Adriatico, the Arsenale Triestine shiprepairing yard, IMA Steelworks Aquila and Standard oil refineries, the Gaslini oil seed pressing factory and the Jutificio e Canapificio Triestino Jute and Hemp spinning and weaving factory.

Second line industries include food canning and preserving, paint and varnish manufacture, soap, pharmaceuticals, general engineering and furniture making.

Since 15 September, 1947 the most significant new factor has been the drop in prices which began in November due to the restrictions on bank credits, greater availability of certain commodities through increased relief supplies and other causes. This has been felt most in the food, liquor and soap industries. Reduced buying by the public who have less money to spend and are waiting for prices to stabilise at the new low level has resulted in large stocks being left on the manufacturers hands. At the same time many basic materials have fallen in price and those which, but for the trade stagnation would by now have been used up, are still in stock and can only be converted into finished goods at considerable loss.

This situation has given rise to two consequences. Firstly, dismissal of a certain number of workers, and secondly, an increase in the number of applications for industrial loans. In these circumstances, coupled with uncertainty as to the future, it is not surprising that possible investors are withholding new capital.

On the other hand there has, during the same period, been close co-operation with the United States authorities in Vienna with a view to raw materials being brought to Trieste for processing whereas the finished products have hitherto been imported direct to Austria. The arrival of a liaison officer from Vienna has greatly facilitated these negotiations and although no arrangements have as yet been concluded

/the sympathetic

the sympathetic attitude of the United States authorities gives reason to hope for some measure of success in the near future.

The "Fiera di Trieste," an industrial fair, was held from 11 to 26 October and aroused the keen interest of the population as a whole. A few hours before the opening, the Chamber of Commerce Committee took exception to two Yugoslav displays which they felt might provoke disturbances owing to their nationalistic character. These displays, consisting of a mural and a map of Yugoslavia, were modified at the suggestion of AMG and the dispute settled. Although political capital was later made out of the incident, what is believed to be the first "Trieste Fair" to be held for twenty-five years achieved a marked success and received favourable comments in newspapers representing all shades of opinion.

#### 9. Commerce

In discussions with Italian and Yugoslav Economic Missions information as to the raw material requirements of the Zone has been furnished to both missions but transactions have been slow pending financial agreement of terms of payment. Distribution of cotton, received from U.S.A. and processed in plants now in Italy, was completed in this period. The legal status of Ente Petroli Triestino, the distributing agency of petroleum products, has been established. The supply of tyres in the Zone has improved to such an extent that their distribution for bicycles, motor-cycles, cars and small trucks was unblocked at the end of November 1947.

#### 10. Methods of Combating Unemployment

During the period under review, there has been a hard core of unemployment involving approximately 25,000 workers. A seasonal increase in this figure is, moreover, to be expected before the end of the winter. The aim of AMG has been to reduce these figures by stimulating industry and organising and financing useful public works designed to employ as much labour as possible. It is also planned to organise training courses to teach "white collared" workers and women trades for which there is an immediate need and to fit them for emigration. To this end, a public works programme has been approved to cover the first six months of the Zone's existence. The estimated cost of this programme will be six thousand million lire. The works to be carried out include housing, construction of schools and hospitals, roads and bridges, railways rehabilitation, land reclamation and drainage and reforestation. Some 7 - 8,000 workers are employed. In addition, a programme of loans to industry, totalling two thousand million lire has been drawn up. This programme will enable certain selected industries to repair and replace /plant, which

plant, which is now out of order. This will enable them to employ several thousand additional workers. Unfortunately the delay in the completion of negotiations with the Italian Government for the supply of currency to AMG has resulted in this project being held up.

#### 11. Local Reaction Towards Economic Situation

The unforeseen, unprecedented and anomalous situation which has inevitably arisen as a result of the hiatus between the coming into force of the peace treaty and the appointment of and assumption of office by a Governor has naturally tended to accentuate the difficulties of a settlement for which no economic merit has been or could be claimed. Nevertheless, there have been signs in Triestine business circles of a readiness to make the best of the situation and to build up within its limited framework a new economy for the Free Territory. Uncertainty regarding the political future, mutual suspicions of political motives which might underlie what in normal circumstances would be regarded as disinterested economic activity are, however, retarding factors in the field of commercial and industrial revival.

Amongst the more stable elements of the population there is evidence of genuine belief in the desire and ability of AMG to further their interests. It would seem that uncertainty as to the future rather than dissatisfaction with the present situation is deterring local enterprise from taking a more active part in the rehabilitation of the Zone.



SECTION 9  
THE FINANCIAL SITUATION

1. General Background

On 15 September 1947, the cost of maintaining the British/United States Zone ceased to be the direct responsibility of the Italian Government under the Armistice Terms. An entirely new system of accounting was therefore established by the Finance Branch of AMG.

It was from the beginning apparent that the ordinary and extraordinary expenses, which would necessarily be incurred by AMG, would be very much higher than those envisaged by the Trieste Commission of Inquiry and that the revenue would be very much lower. This was because the commission assumed that certain recommended administrative and fiscal reforms would be instituted as soon as the Free Territory came into existence and also that a long term economic policy would be implemented without delay. Such measures would entail the abrogation of long standing Italian laws and regulations and the reorganization of the entire economic structure of the Territory. To implement them would therefore be beyond the power of AMG in its capacity as a caretaker administration in no way representative of the ultimate government or people of the Free Territory as a whole.

2. The AMG Six Monthly Budget

The anticipated financial position disclosed in the AMG budget for the first six months of the Zone's existence will be:

Revenue	3,000 lira	
Ordinary Expenditure	10,000 million lira	
Extraordinary Expenditure	8,000 million lira	) Public Works 6,000 million lira
		) Loans to Industries 2,000 million lira
Deficit	15,000 million lira	

The main reasons for the high ordinary expenses of the administration, as compared with those of an Italian area of the same size and population are:

- (a) The presence of the Central Government of the Zone superimposed upon the Italian provincial administration.
- (b) The local government organization, established and regulated by Italian law.

The estimate of extraordinary expenditure referred to above covers the cost of the AMG programme of Public Works and loans to industry,

/the implications

the implications of which are discussed elsewhere in this report.

3. Provision of Funds

Under the terms of Article 11 of Annex VII of the Peace Treaty, Italy is bound to supply the foreign exchange and currency needs of the Zone under conditions no less favourable than those applying in Italy. The precise interpretation of this provision is still the subject of negotiations between AMG and the Italian Government, pending the outcome of which periodical lire advances have been made on a temporary basis in order to cover the day to day expenses of the administration of the Zone.

It has however been accepted by AMG that, as long as the Italian government continues to supply it with lire and foreign exchange, the Italian currency controls and foreign exchange regulations must be rigidly adhered to. It is this obligation which necessitates the system of import and export licences and of payment through clearing accounts which is applied to all commercial transactions with countries other than Italy, and the consequent administrative separation of the two Zones.

SECTION 10  
PORT ORGANISATION

1. The maintenance of Allied troops in Northern Italy and Austria after the war, together with occupational authorities' responsibility for the safe transit of large quantities of UNRRA supplies, rendered direct military control of the port of Trieste a matter of paramount importance. From June 1945 to September 1947, therefore, the port had been administered by a Port Control Committee whose chairman was the British Naval Officer-in-Charge directly answerable to the Allied naval and military authorities. On ratifications of the Peace Treaty, however, I came to the conclusion that conditions had sufficiently altered to allow a step to be taken toward civilianization of the port and the following organisation was set up.

(a) The British Naval Officer-in-Charge became Port Director and in this capacity became responsible to the SCAO and assumed the status of a section of AMG.

(b) The Board of Directors of Magazzini Generali, a para-statal body with a board composed partly of Government officials and partly of prominent Triestini business men, and which had "above high waters" function in the Port Organisation prior to the Allied arrival in 1945, was reconstructed with AMG, military and civil representatives.

(c) The Captain of the Port, who in the previous organisation had been under the Area Commissioner, Trieste, now became directly under the Port Director. The administration and operation of the tugs, pilots and similar functions, which previously had been carried out by the Naval Officer-in-Charge, were now transferred to the Captain of the Ports control.

2. The arrangement described above has been successful in restoring more normal conditions and has improved administration by bringing the whole organisation under the Director of the Port as one departmental head.

SECTION 11  
RAILWAY ORGANISATION

1. Until 15 September, 1947, all railways in Zone A Venezia Giulia were under direct military supervision within the scope of the general military control exercised by the Allied Forces in Italy at that time.

After that date control of all railways in the British/United States Zone FTT passed to a Directorate of Railways working directly under AMG. Although the railways operated in the British/United States Zone became autonomous, it was found to be essential for technical and administrative reasons to maintain the relationship with the Italian State Railways on the basis of the status quo. The Italian State Railway continued to supply inter alia the civilian railway staff, raw or wrought materials, fuels, lubricants and in general all material required for the working of the FT railway and rolling stock for internal use within the FTT. Use is also being made of rolling stock and railway material referred to in article 17 of Annex X of the Peace Treaty and no attempt is being made to allocate it in accordance with this article until the assumption of responsibility by the Governor.

All expenses incurred by the Italian State Railways and charges raised by them for services rendered are credited and debited against the FT railways account, for ultimate settlement between the Italian and FTT governments. These arrangements are in fact being carried out although formal agreement with the Italian Government is still under negotiation.

2. Negotiations are also in progress with the Yugoslav Government through its Economic Commission for settling Cross Frontier railways operations and other matters at issue.

SECTION 12  
POSTS AND TELECOMMUNICATIONS

1. It has not been practicable to build up an independent postal and telecommunication organisation for the Zone during the transitory period of AMG control as this task is clearly one which must be left for the future government of the FTT. Consequently the former Italian State services, which include posts, long distance trunk telephone and line construction, continue to be provided by the Italian Government under agreement which still awaits formal ratification.

2. Private telephone and cable services which were under Italian charter before ratification of the peace treaty continue, but steps have been taken to overhaul their charters in order to secure their validity during the AMG period in such a manner as not to prejudice the policy of the future government. Radio Trieste, once part of the Italian network now operates under AMG.

SECTION 13  
PUBLIC UTILITIES

1. Electricity

The British/United States Zone receives its bulk supply of electricity from the Isonzo river hydro electric power station at Doblari and Flava in Yugoslavia and the Piave St. Croce and Cellina group of stations in North East Italy. The supply is operated locally through SELVEG Corporation, a subsidiary of SADE, an Italian company. I have not considered it proper to open tripartite negotiations for the supply of electricity with the Italian and Yugoslav Governments in accordance with Annex IX of the Peace Treaty in view of the fact that AMG is not empowered to represent the permanent government of the FTT.

2. Water.

The salient characteristics of the water supply system of the Zone is its dependence upon electrical energy, derived from sources described above, to operate its pumps. Water supply must therefore be dependent upon the amount of electric power which can be made available from outside the territory and, during the period under review, has often been short. The purchase and installation of diesel driven generators, which would alleviate this situation, is therefore under consideration.

3. Gas.

The supply in the earlier part of period under review was critical but the arrival of a quantity of suitable coal from the United States has made possible an eighteen hour supply to consumers from October 1947. This service will only be possible in the future if coal supplies of good quality are assured. A new gasholder of 40,000 cubic metres capacity has been ordered and will be working by about the end of 1948.

SECTION 14  
PUBLIC WORKS.

1. Shortly before the period covered by this report, the Public Works Division of AMG had been completely reorganised and restaffed as a result of certain irregularities which had come to light before the establishment of the Free Territory.
2. Reference has been made in the Economic section of this report to the public works programme approved for the six months commencing last September. This programme had been drawn up to ensure that the ratio of labour employed to the total cost was reasonably high and that the selected works were justifiably necessary. The anticipated cost of the programme amounts to six thousand million lire and its completion depends more on the availability of this sum of money than on any labour shortage of either skilled or unskilled workers.
3. Statistics of work actually completed or in hand is given at Appendix "D".

SECTION 15  
LABOUR.

1. The problem of unemployment in relation to the economy of the Zone and its effect on public security has already been referred to in this report. The following is an account of labour incidents during the period under review.
2. A background to the labour situation is provided by the rivalry which exists between two organisations, the Camera del Lavoro (non-communist) and the Sindacati Unici (communist). The latter has strong pro-Slav leanings and aspires to eventual control of labour in the FFF. Immediately after ratification of the peace treaty this organisation fomented a strike in the San Marco shipyard, the basic cause of which was political rather than serious grievance of employees against employers. Backed by the communist press and political organisations, Sindacati Unici attempted to develop a general strike which was only partially successful; shops and services generally remaining operative. The port, however, remained closed until 24 September when AMG effected a settlement. This strike was patently and cynically political in character, unrelated to the well-being of the workers or to the economic interests of the territory and as such, unpopular. After its collapse there were no strike incidents of importance before the end of the year, though the period has been marked by the mutual hostility of the two rival unions referred to above.
3. There has been a steady decrease in imported labour during the period under review, as is shown by the following figures.

September	October	November	December
1,708	1,606	1,144	964
4. Since September AMG has implemented a comprehensive scheme for the social insurance of its civilian employees.
5. Occupational training to deal with unemployment and to divert workers into trades which offer better prospects, has been carried out in the Industrial Training School.
6. A list of Public Works relief projects, with the number of workers employed, is shown at Appendix "D".



SECTION 16  
PUBLIC HEALTH

1. AMG, through its Chief Public Health Officer, controls general public health policy and supervises the work of local medical officers, the Area Chief Medical Officer and the Chief Veterinary Surgeon working in daily collaboration with the Public Health Division.
2. The general health of the population of the Zone has been satisfactory and the disease incidents lower than in most comparable European cities. Tuberculosis, however, still maintains a high incidence and the number of fresh cases fluctuates between fifty-five and seventy-five per month. The establishment of a new tuberculosis hospital is, therefore, under consideration and the project has been incorporated in the Public Works programme.
3. First Aid services are efficiently run by a delegation of the Italian Red Cross controlled by a local committee. The Italian Red Cross in addition distributes clothes, medical supplies free to the needy and provides a trained medical staff in the refugee transit centre. The other recognized national Red Cross organisation, the Yugoslav Red Cross has made itself responsible for carrying out welfare work in connection with the movement of refugees and amongst the Slav population of the Zone. A close liaison has been maintained with the World Health Organisation at Geneva and anti-cholera measures, following the epidemic in Egypt, have been carried out in accordance with the latest international sanitary agreements.
4. The doctors of Trieste are registered on a professional roll kept by the Order of Physicians, having a chairman and five members elected by the other medical practitioners.
5. Patients who are unable to pay hospital fees are provided for by the Commune in which they live. This matter is also the responsibility of various social insurance organisations. A system of distribution has been established by which destitute people can obtain penicillin and streptomycin, free of charge, in case of necessity.
6. Practical training courses for medical students and nurses are held in the main hospital of Trieste. The nearest faculty of medicine, however, is in Padua.
7. Some statistics of diseases for the period under review are given at Appendix "E".

SECTION 17  
EDUCATION

1. It is axiomatic that any educational system, if it is to be effective, must have the support of the community and bear on intimate relationship to the social order. For this reason AMG has given close study to a problem peculiarly complicated by the ideological, national and linguistic differences which divide the communist from the non-communist and separate the Slav from the Italian. In harmony with its policy in other fields of administration, AMG has left the introduction of radical changes to the Governor and has endeavoured to maintain the broad educational structure which existed at the time of ratification of the peace treaty. AMG has, moreover, provided instruction in the Slovene language at elementary and secondary schools in villages and in those sections of the city of Trieste which have preponderately Slav populations. On the other hand, the Slav-communist minority has done its utmost to introduce the communist doctrine into the instruction of the young Triestini. The local communist party, with its affiliations and fronts, has constantly brought severe pressure to bear on Slovene teachers not only to propagate the communist doctrine but also to inculcate the idea that Great Britain and the United States are fascist-reactionary countries in contrast to those professing the communist faith. This type of pressure is often difficult to prevent as teachers, who are subject to intimidation, fear to reveal the identity of their aggressors. AMG has also had to contend with poor accommodation due to overcrowding and the general shortage of text books which exists in spite of all efforts to revise old and prepare new ones.

2. The University of Trieste enjoys its traditional autonomy. Italian continues to be the official language but courses are offered in the Slav languages as well as in Slav history and culture. The University has about 2,900 registered students drawn principally from the Trieste area, though there is a small group from countries such as Yugoslavia, Czechoslovakia, Austria and Hungary.

3. During the period under review the education organisation has been strengthened by the formation of an advisory committee consisting not only of the relevant section of AMG but of coopted prominent citizens, both Italian and Slovene, and including the Rector of the University of Trieste and a representative of the church. It is to be hoped that those measures, by improving supervision of the schools, will help to lay the foundation of a sound and impartial education.

4. Since November 1947, pupils of Italian and Slovene elementary schools have been provided with free hot school lunches by the United States Foreign Relief Organisation.

The school system for the 1947/1948 term in detail is shown at Appendix "F".

SECTION 18  
EXERCISE OF FREEDOM OF WORSHIP

1. Roman Catholic Church

Apart from the foreign communities - such as the Greeks and Serbs - which are all greatly reduced in numbers, and the Jewish colony, the overwhelming majority of the Italian and Slav population of the Free Territory are officially members of the Roman Catholic Church.

Owing to the recent territorial changes and the consequent modification of the area of the diocese of Trieste and Capodistria, the Episcopal Curia is not yet in possession of exact figures relating to the ecclesiastical organisation of the region. It appears, however, that there are some twenty-four public churches and chapels in the British/United States Zone of the Free Territory and thirty within the Yugoslav Military Zone. There are about one hundred secular and sixty regular clergy in the British/United States Zone, while in the Yugoslav zone there remain some forty seculars and ten religious, about seventy-five per cent of the number ministering there prior to the Yugoslav occupation.

In addition, the Church maintains five schools or colleges and five orphanages in the British/United States Zone. It also provides nursing nuns for the hospitals of the Zone.

The diocese of Trieste and Capodistria is a suffragan see of the Archdiocese of Gorizia, and the Holy See has not yet proceeded to change its status in conformity with recent territorial alterations. The Bishop, Monsignor Antonio Santin, an Italian from that part of Istria recently ceded to Yugoslavia, is a favourite target for attack by Yugoslav and communist propaganda. As a result of the incidents of June 1947, when he was assaulted and seriously injured by communist demonstrators during a pastoral visit to Capodistria, he has not deemed it prudent during the period under review to re-enter that part of his diocese situated in the Yugoslav Military Zone. Nor is he able, in practice, to visit the Slav inhabited districts in the British/United States Zone. The Bishop's physical presence is therefore confined to the Italian centre of Trieste, and a religious celebration in the main square in October 1947, at which he officiated, brought together one of the largest assemblies seen here since Allied Military Government has administered the region. About 100,000 people attended.

2. Greek Oriental Community

The Greek Community dates from the days of Maria Theresa. Formerly a very wealthy section of the population, the Greeks are to-day greatly reduced in numbers and affluence. There are about 1,000 Orthodox Greeks in Trieste, but the community say they are now too poor to maintain more than one priest. They possess an elementary school.

/3. Serbian

3. Serbian Orthodox Church

The Serbs own an imposing church in the centre of the city. The two priests who minister there have been appointed by the Yugoslav government. The community numbers about 500 and manages its own elementary school.

4. Anglican and Evangelical Churches

In September, the Anglican Church of Trieste was authorised to cede the Church property to the Diocese of Gibraltar for a nominal sum. The Anglican community dates from 1821 and the Church at present ministers chiefly to the needs of Allied Military personnel. The local community has been greatly reduced in numbers.

The Swiss Evangelicals and the Waldensians share the church of San Silvestro, a small edifice which dates back to the third century. The Swiss community in Trieste is still of respectable size and takes a notable part in the commercial life of the town.

5. Jewish Community

Of the 6,000 Jews in Trieste in 1938, only 1,600 remain to-day. The President of the Jewish Community attributes this drop in figures mostly to emigration, while 1,000 were deported during the war and 1,000 accepted the alternative of becoming Christians under the racial laws. The Jews here are mostly Italian of origin and sympathies. There is an imposing modern synagogue in the centre of the town and the community runs several schools, a hospital and an excellent and up-to-date orphanage.

SECTION 19  
WELFARE

1. AMG, through the Public Welfare and Displaced Persons Division, undertakes responsibility for the provision of assistance to those in need, the care of dependent, neglected or delinquent children, the institutional care of the aged, crippled or infirm, and the guidance or control of the private and public assistance agencies of the British/United States Zone. It controls movement and care of displaced persons and refugees passing through the Zone, and maintains close liaison with the International Refugee Organisation on such matters as screening, emigration and repatriation of refugees.
2. Public Welfare activities are carried out by public or private welfare agencies which are supervised by the Division. The Public agencies i.e. Public Assistance, War Orphans, War Widows, the Maternity and Child Welfare Organisation are now financed by the United States Relief Mission which has thus relieved the Allied Military Government of the burden of approximately 60,000,000 Lire monthly. Other welfare agencies are mainly charitable and these organisations (in general religious bodies) cooperate with the Division in its fight against poverty. The Welfare Division keeps a careful check on charities working in the Zone and all such charities are registered and subject to inspection at any time.
3. Some details of relief given are shown in Appendix "G".
4. In displaced person and refugee work, the problem was not as great as existed in other parts of Europe, as before ratification of the Peace Treaty, all refugees were sent on to establishments in Central and Southern Italy. By arrangement with the International Refugee Organisation Italy, persons returning to their homes in Eastern Europe are passed through Trieste. A Refugee Transit Centre is maintained in Trieste for this purpose and to control refugee movement in the Zone.
5. Some details of numbers of displaced persons passing through are given at Appendix "G".

SECTION 20  
AGRICULTURE AND FISHERIES

1. The rural areas of the Zone are, for the most part, rocky and barren and offer few agricultural prospects. While all possible encouragement has been given to the working of such arable land as is available, this does not normally produce sufficient food for the needs of families living on their own farms, and the population must therefore rely on outside sources.
2. A forestry project involving the planting of 600,000 new trees in two nurseries is now in hand, but will not, of course, produce timber fit for use for many years.
3. Proposals for the control of livestock and the exchange of information regarding livestock diseases, have been made both to Italy and Yugoslavia, and early agreement is expected in the case of Italy.
4. Local waters provide fish supplies to the Zone.

These supplies should be substantially increased when reciprocal fishing rights, similar to those agreed with Italy, are arrived at with Yugoslavia and the Yugoslav Military Government Mission.

## SECTION 21

### PRESS

1. Since the coming into force of the Peace Treaty the position of the Press in the British/United States Zone has remained unchanged. No censorship of publication exists. The licensing of publications is, however, controlled by Allied Military Government within the limitations imposed by the technical facilities available in the city. It is interesting to note in this regard that all six of the daily papers of varying political complexions are printed in the same plant and retain offices in the same premises. Of these six dailies, two are Communist Party papers favouring the Yugoslave (one each in the Slovene and Italian language), two are professedly independent while the remaining two are pro-Italian. The daily combined circulation figures of the pro-Italian papers average approximately 80,000 copies as compared with about 23,000 for those of pro-Yugoslav tendency. In addition, there is published twice weekly by the Independentist Front a "Free Territory" paper whose readers number about 7,000. It is this paper which champions the Free Territory as a political entity.

Some thirty weeklies are like wise authorised and published in Trieste. These publications deal with political, economic and cultural subjects. Each of the various political parties has its own weekly publication, while the political tendency of the dailies can be more easily classified as divided into nationalistic blocs. The Trieste Press reflects intensely and in detail, all variations of the world and local political scenes. It is a somewhat sensitive and truculent press, particularly that section with Slav-communist leanings.

2. AMG under the aegis of Allied Information Services, its operational press and public relations division, operates two radio broadcasting transmitters: one broadcasting in the Italian language, the other in Slovene. These stations are each on the air ten hours per day. Four daily news broadcasts are given in each language and the balance of the programmes is composed of musical and cultural items. The Radio is not used for political campaigning by local parties or organisations.

The greater part of the financial cost of operating these two radio stations is borne by AMG, although the British and American Governments supply the key personnel, some of whom are military and some civilian. In the Free Territory two broadcasting stations have been found necessary because of the intense feeling existing over the question of bilingualism.

AMC does not sponsor or publish any newspaper of its own, but, through its Public Relation Office and by the medium of the radio, its official announcements receive wide dissemination. The radio also serves to correct misconceptions or inaccurate statements regarding the activities of the government.



SECTION 22  
CONCLUSION

I have drawn attention to the fact that the period intervening between the entry into force of the peace treaty and the assumption of office by the governor has already been longer and consequently more fraught with administrative and political problems than those who framed the treaty could have foreseen. Article 1 of Annex VII would, no doubt, have provided for the needs of the Free Territory adequately enough had that interval been one of a few days or weeks and not, as events have proved, of months. No one would pretend, least of all those charged with the responsibility for administration, that a military government projected into a period of returning peace and normality is an ideal or even a satisfactory instrument. If a solution could be found which would hasten the return to normality of this unrestful fragment of Southern Europe it would be welcomed by all concerned and not the least by myself and those who share with me the burden of implementing Article 1 of Annex VII of the treaty.

On the other hand I am convinced by my experience of events since the ratification of the treaty that the adoption of some hasty compromise would not be in the interests of the people of the British/United States Zone. An expedient which did not take into realistic account the essential features of this problem could not safeguard the basic human freedoms nor would it be in the interest of world peace. In my opinion an essential feature of the problem is that the period reviewed by this report has disclosed no evidence of a real, disinterested and ready disposition to build up a local Triestine political consciousness distinct from, but not necessarily antagonistic to, Italian or Yugoslav national and racial ideology. The hopes and ambitions of the two groups must be expected, in the main, to continue to be centred on restoration to Italy or incorporation into Yugoslavia.

Both racial and political motives are closely interwoven and on the whole those whose sympathies are Italian tend to look to the democratic ideals of the West, while the Slav elements, supported by a body of Italian adherents to the "party line," rally round the standard of communist totalitarianism. A Slovene democratic and nationalist movement, independent of U.A.I.S. and its satellite organs, has recently been created but its numbers are small and it has already been subjected to scarcely veiled threats of retaliation in the Slav-communist press.

The signatories of the Treaty undoubtedly had in mind that the first concern of any authority responsible for administering the Free

/Territory

Territory must be to ensure the maintenance of public order and security. It has become clear to me that such a directive, applied to a unified Free Territory, would, even before the withdrawal of the Anglo-American troops from this Zone, demand much strength of character, determination and vision. Meanwhile the task of AMG, as of its successor administration must be mainly confined to keeping the peace between opposing factions, ensuring that mutual rivalries shall not endanger public order and security and that the people shall be protected against pressure and intimidation from whatever quarter it may come.

APPENDIX "A"

HEADQUARTERS

ALLIED MILITARY GOVERNMENT

BRITISH/UNITED STATES ZONE - FREE TERRITORY OF TRIESTE

PROCLAMATION NO. 1

TO THE PEOPLE OF THE FREE TERRITORY OF  
TRIESTE, BRITISH/UNITED STATES ZONE:

WHEREAS by Article 21 of the Treaty of Peace between the Allied and Associated Powers and Italy which has now come into force, a Free Territory of Trieste has been constituted and

WHEREAS, under Article 2 Annex VI of the Treaty, the integrity and independence of the Free Territory shall be assured by the Security Council of the United Nations, and

WHEREAS, under Article 1 of Annex VII of the Treaty, it has been provided that, pending the assumption of office by the Governor of the Free Territory, the said Territory shall continue to be administered by the Allied Military Commands within their respective Zones.

I, THEREFORE, T.S. AIREY, C.B., C.B.E., Major General, Commander British and United States Forces, in order to implement the provisions of the Treaty of Peace, and to ensure the welfare and safety of the population by preserving law and order, have issued the following proclamation, which is being communicated to the Security Council of the United Nations by the United States and United Kingdom Governments.

CONTINUANCE OF MILITARY GOVERNMENT

1. -- Pending the assumption of office by the duly appointed Governor of the Free Territory of Trieste, all powers of Government and administration in that Zone of the Free Territory in which British and United States Forces are stationed, as well as jurisdiction over its inhabitants, shall continue to be vested in me in my capacity as Commander of the said British and United States Forces.
2. -- An Allied Military Government of the British/United States Zone of the Free Territory, to administer these powers under my direction, is hereby continued.
3. -- I hereby direct that all administrative and judicial officials and all other Government and Municipal Functionaries and employees and all officers and employees of Public, Municipal or other services, shall continue in the performance of their duties, subject to such directions as may from time to time be issued by me or by officers designated by me for that purpose.

/4. -- All existing

4. -- All existing laws, decrees and orders in force in the British/ United States Zone on the date of this Proclamation shall remain in force and effect, except as abolished or modified by Proclamation number two which is promulgated herewith, and except in so far as I may, from time to time, change or supersede them. The words "Allied Forces" which appear in such laws, decrees and orders shall be interpreted as referring to the British and United States Forces stationed in the Zone.

Trieste, 15th September 1947.

Posted - Sept. 16 - 1947  
8:45

T.S. AIREY  
Major General  
Commander British - United States Forces  
Allied Military Government  
Free Territory of Trieste

APPENDIX "B"

NUMBER OF PERSONS CROSSING FRONTIERS OF  
BRITISH/UNITED STATES ZONE WITH YUGOSLAVIA AND ITALY

OCTOBER

	Into Zone	Out of Zone	Total
Italy	78,306	75,318	153,624
Yugo- slavia	3,700	4,629	8,329

NOVEMBER

	Into Zone	Out of Zone	Total
Italy	66,650	65,170	131,820
Yugo- slavia	5,834	6,040	11,874

DECEMBER

	Into Zone	Out of Zone	Total
Italy	67,473	68,258	135,731
Yugo- slavia	4,619	4,549	9,168

APPENDIX "C"

COMPARISON OF TRADE WITH ITALY, YUGOSLAVIA (including Yugoslav  
Zone) AND OTHER STATES (expressed as percentages)

IMPORTS

	<u>Italy</u>	<u>Yugoslavia</u>	<u>Other States</u>
Food	16.5	3.3	80.2
Fruits & Vegetables	70.0	4.5	25.5
Wines & Liquors	83.0	4.0	13.0
Construction Materials	99.0	0.7	0.3
Fuel (Coal & Wood)	5.5	13.0	81.5
Fuel (Petroleum products)	1.5	-	98.5
Raw Materials	5.5	26.5	68.0
Livestock & Feed	75.0	5.0	20.0
Manufacturing Goods and Machinery	52.5	0.5	47.0
Miscellaneous	45.0	4.8	50.2

EXPORTS

	<u>Italy</u>	<u>Yugoslavia</u>	<u>Other States</u>
Food	67.5	2.02	30.5
Wines & Liquors	24.6	2.4	73.0
Construction Materials	85.5	5.0	9.5
Fuel (Coal & Wood)	95.0	1.6	3.4
Fuel (Petroleum products)	47.7	1.3	51.0
Raw Materials	87.0	0.2	12.8
Raw Materials	34.1	0.4	65.5
Livestock & Food	81.5	3.0	15.5
Manufacturing Goods and Machinery	40.7	10.8	48.5
Miscellaneous	15.3	3.2	81.5

APPENDIX "D"

A LIST OF PUBLIC WORK RELIEF PROJECTS, WITH THE  
NUMBER OF WORKERS EMPLOYED

Trieste Commune (Rubble Clearance)	3,058	workers
Muggia " " "	600	"
Other " " "	371	"
Labour Division Training Programme	70	"
Ospedale Maggior (Nurse & Attendant Training)	100	"
ACLI Industrial School	35	"
INAPLI " "	67	"
Roadwork Prosecco	40	"
Territorial Labour Office (Supervisory Works)	5	"
Agriculture Division Reforestation	349	"

Note: The balance of workers referred to in Section 8, paragraph 10 will be employed on projects, under the six months public work programme, commencing after 1 January 1948.

APPENDIX "E"

TABLE OF INFECTIOUS DISEASE INCIDENCE

BRITISH/UNITED STATES ZONE

Measles.....	9
Scarlet fever.....	104
Chicken pox.....	2
Typhoid.....	100
Paratyphoid.....	5
Bacillary dysentery.....	4
Diphtheria.....	73
Pertussis.....	1
Tuberculosis.....	179
Cerebrospinal meningitis.....	4
Acute poliomyelitis.....	8
Malaria.....	1



APPENDIX "F"

SCHOOL SYSTEM FOR 1947/1948 TERM

TYPE OF SCHOOL	Duration of course of studies (years)	Number of Pupils		
		Italian	Slovens	Total
1. Elementary schools	5	16107	4223	20330
2. Secondary schools consisting of:				
a) Junior high schools	3	2832	720	3552
b) Professional Training courses	2	67	140	207
c) Professional training schools	3	3711	380	4091
3. Senior high schools consisting of:				
a) Classic lyceums	5	835		835
b) Scientific lyceums	5	903	150	1053
c) Teachers training schools	4	286	27	313
d) Technical Institutes	5	656	89	745
e) Nautical Institute		325		325
f) Technical Industrial Institutes	5	626		626
g) Commercial technical schools	2	319		319
h) Industrial technical school (for girls)	2	32		32
4. University of Trieste consisting of:				
a) College of Letters and Philosophy	4			294
b) College of Jurisprudence	4			375
c) College of Economics and Commerce	4			693
d) College of Engineering	5			379
e) College of sciences	4			358
5. Conservatory of Music	up to 10			250

APPENDIX "G"

WELFARE RELIEF AND DISPLACED PERSONS

1. Welfare Relief

(a) The following were assisted by public organisations:

Monetary grants	10,500 persons
Free food (soup, bread, etc.)	450,000 meals
Assisted in institutions	6,000 persons
Special relief to bombed out families	696 families

(b) Distribution of relief comforts to the needy:

Blankets	10,144
Flannel sheets	3,124
Vests	30,211
Shoes (all types)	36,122

Displaced Persons movement has been as follows:

<u>To Italy</u>		<u>To Yugoslavia</u>	
Italians	603	Yugoslavs	77
Yugoslavs	86	Italians	217
Greeks	1	Hungarians	60
Czechs	2		
Americans	9		354
Austrians	1		
Germans	1		
Hungarians	2		
Stateless	1		

