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LETTER DATED 3 FEBRUARY 1949 FROM THE REPRESENTATIVES OF THE
UNITED KINGDOM AND THE UNITED STATES OF AMERICA TRANSMITTING
THE REPORT OF THE ADMINISTRATION OF THE BRITISH/UNITED STATES
ZONE OF THE FREE TERRITORY OF TRIESTE,
1 OCTOBER TO 31 DECEMBER 1948

February 3, 1949

We have the honour to transmit herewith, for circulation to the members of the Security Council of the United Nations, a copy of the "Report of the Administration of the British/United States Zone of the Free Territory of Trieste, 1 October to 31 December 1948, by Major General T. S. Airey CB. CBE., Commander British-United States Zone, Free Territory of Trieste".

This Report will be published in Trieste by General Airey on February 4, 1949. It is requested that it not be released to the press until that date.

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

Terence Shone

Deputy Representative of the United
Kingdom

Philip C. Jessup

Acting Representative of the United
States

/REPORT

REPORT OF THE ADMINISTRATION OF THE BRITISH/UNITED STATES
ZONE OF THE FREE TERRITORY OF TRIESTE

1 OCTOBER TO 31 DECEMBER 1948

BY

MAJOR GENERAL T.S. AIREY CB. CBE.
COMMANDER BRITISH-UNITED STATES ZONE
FREE TERRITORY OF TRIESTE

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INDEX

<u>SECTION</u>	<u>SUBJECT</u>	<u>PAGE</u>
1	INTRODUCTION	1
2	ORGANIZATION OF GOVERNMENT	3
3	FOREIGN RELATIONS	5
	Relations with Italy	5
	Relations with Yugoslavia	5
	Relations with Yugoslav Zone FTT	7
	Movement of Personnel in and out of British-United States Zone FTT	7
4	PUBLIC SAFETY	7
5	ECONOMIC SITUATION	7
	Economic Cooperation Agreement between the United States of America and the British-United States Zone FTT	7
	ERP Aid Since 1 April 1948	8
	AMG Budget	8
	1949-50 ERP Programme and the Long Term ERP Programme	8
	Industry	10
	Loans to Industry	14
	Foreign Trade	14
	Public Works	14
	AMG Housing Programme	14
	Electricity Supply	15
	Trieste Port	16
	Salvage of ships and port clearance	16
6	LABOUR	17
7	PUBLIC HEALTH	18
8	EDUCATION	19
9	PRESS AND RADIO	19
10	RELIGIOUS ACTIVITIES	21
11	PUBLIC WELFARE	21
12	AGRICULTURE	21
13	FISHERIES	22
14	RAILWAYS	22
15	POST AND TELECOMMUNICATIONS	23

INDEX TO APPENDICES

<u>APPENDIX</u>	<u>SUBJECT</u>	<u>PAGE</u>
A	Crime Return.	24
B	Economic Cooperation Agreement between the United States of America and the British/United States Zone, Free Territory of Trieste.	25
C	Agreed minutes of conference between Italian Government and AMG relating to the Budget for period 1 January to 30 June 1949.	35
D	Budgeted Expenditure and Revenue for second half of 1948 and first half 1949.	37
E	Volume and Value of Foreign Trade.	39
F	Public Works projects with numbers employed.	43
G	Port of Trieste shipping statistics.	44
H	Employment situation.	45
I	Table of Infectious Disease Incidence.	46
J	Welfare Relief and Displaced Persons.	47
K	Railway Loadings ex Trieste and into Trieste.	49

SECTION 1.

INTRODUCTION.

1. This, the fifth report on my administration of the British/United States Zone of the Free Territory of Trieste, deals with the period from 1st October to 31st December 1948.

2. The gradual return of confidence in the political and economic future, which became apparent after the declaration of 20th March 1948 by the governments of Great Britain, the United States and France in favour of the return of the Free Territory to Italian sovereignty, has continued throughout the last quarter of 1948. In the security afforded by firm policies and stimulated by the initial effects of the European Recovery Programme, this confidence is steadily growing. There has been a particularly encouraging increase in the volume of goods passing through the port of Trieste, much of which is attributable to the growth of trade with Italy. Although there has been a small but steady decline in unemployment figures I do not expect any substantial reduction in the still distressingly high rate of unemployment before the shipbuilding programme, the broad outline of which is set out in this report, has had time to develop.

3. On 14th October the Zone was formally admitted to the Organisation for European Economic Co-operation and on the following day I signed the bilateral agreement between the Allied Military Government and the government of the United States of America, which sets forth the conditions under which the Zone is to receive E.R.P. aid, together with the responsibilities and the undertakings of the signatory governments. While the agreement is similar in principle to those entered into by other participating countries, it has been adapted to conform to the special status of the Allied Military

/Government

Government, in particular so as to ensure that the successor administration shall not be confronted with a commitment which it cannot readily accept or terminate.

4. There has been little variation in the political pattern since my last report. The Communist parties and their satellite organisations have continued to work for the disruption of the Zone's economy by the exploitation of unrest wherever they can find it. On the other hand the bitterness of their internecine conflict has been a revealing measure of the priority which the political dogma of their creed receives in relation to their concern for the social well-being of the working population of the Zone.

5. The compilation of electoral rolls, which began in September, is progressing satisfactorily and I hope that they will be completed in time to make possible the holding of administrative elections early in June, 1949. I intend in due course to publish an administrative order setting forth the scope of the elections and the procedure for holding them.

6. In my first report, submitted at the end of 1947, I stated my view that there existed no evidence of a real, disinterested and ready disposition to build up a local Triestine political consciousness. I have been confirmed in this opinion by a further year of close contact with the people of Trieste and with their particular problems in the complex design of post-war Europe. There exist, it is true, independence parties and fronts but the more prominent of these are clearly discernible as the familiar appendages of international communism, whence they derive their inspiration, their instructions and their funds.

7. There are certain clear-cut and unmistakable facts which stand out among the nebulous and unsure currents of platitudinous propaganda and shifting ideological groupings which afflict this part of Europe today and I should fail my duty were I not to point them out. With the exception of four Slovene ru-

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communes with a total of some 12,000 inhabitants, some outlying districts of the commune of Trieste which are predominantly Slovene, and the commune of Muggia where the ratio of Slovenes to Italians is estimated at 1 to 2, the population of the zone is overwhelmingly Italian. The great part of Trieste, whatever may have been the course of its history, is now undeniably an Italian city and its people connected with Italy by family, cultural and economic ties which can only artificially be severed by international legislation. It is indeed Italy that has supplied an important share of the funds, by means of lire currency and foreign exchange, which have sustained the economic life of this zone since 15 September 1947. The Free Territory has no appreciable resources which could make it viable as an independent political entity if the economic bond with Italy were to be severed. It is well known that Trieste occupies an unique position as a sea outlet for the trade of the countries of the Danube basin. That this traditional commerce may at some future time again flow in its full strength and through its natural channel does not alter these facts, for there is no reason why the special commercial and geographical position of Trieste with its ethnic minority should not be recognised and provided for within the frontiers of the state which is the natural home of the majority of the population.

8. For these reasons I believe that it will be in the interests not only of the people of this zone, but of future peace in this sensitive part of Europe if the Free Territory be eventually restored to Italy.

SECTION 2.

ORGANIZATION OF GOVERNMENT .

1. Preliminary work in connection with the preparation of electoral rolls, which began on 25 September is progressing satisfactorily. Preparatory lists of electors have now been completed throughout the zone. The period allowed for the process had however to be extended by 20 days owing to administrative difficulties arising from such factors as the unexpectedly large number of

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changes in the addresses of potential electors. It has also been necessary to extend the time allowed for the checking of penal records, data regarding which have to be obtained from communal authorities throughout Italy.

2. By 31 January arrangements will have been made to provide permanent residents of the Zone with new identity cards. The new cards will replace those issued after the War which, when the Peace Treaty came into force, were temporarily over stamped by AMG to cover the period until a more carefully regulated system could be devised. The process of issuing the new cards to persons legally registered in the communal anagraphical offices of the Zone began in 1948. This normal and necessary measure has as expected, been seized upon by the communist press and its affiliated organs as a convenient means of stirring up racial feeling and has been represented as an attempt to prevent the use of the Slovene language. Under an arrangement which accords with practice in other parts of Europe where two languages are spoken, cards issued in the predominantly Italian Commune of Trieste, where the vast majority of the people and the officials who check the cards speak Italian, are printed in Italian only. For the convenience of the users, those issued in the outlying and predominantly Slovene speaking communes are printed both in Slovene and Italian and are thus readable throughout the Zone.

3. Early in December it became apparent that the increasing expenditures of the Commune of Trieste were becoming incompatible with the responsibility of the Government of the Zone for ensuring that everything possible was done to achieve financial equilibrium at all levels of public administration. On 17 December therefore an AMG order was issued temporarily conferring upon the Zone President the powers normally exercised by the Communal Finance Commission. This step was taken on account of the abnormal financial situation of Trieste Commune and in no way implied an intention to alter permanently the organisation for local government in the Zone..

SECTION 3.

FOREIGN RELATIONS.

1. Relations with Italy.

Meetings of the Mixed Economic Commission, referred to in my last report, were held in Rome from 8 to 11 November. Amongst the subjects discussed were: technical modifications to the Zone's shipbuilding programme, the method of payment for purchases and sales between the Zone and other member states of the O.E.E.C., and the improvement of the position of Lloyd-Triestine pensioners. Close and cordial relations between the frontier officials of the Free Territory and Italy have done much to facilitate and encourage commercial relations with the latter country.

2. Relations with Yugoslavia.

Section 5, paragraph 9(a) of this report describes the conference held at Bled in November to discuss matters relating to the supply of electricity to the two Zones of the F.T.T. from power stations in Yugoslavia. In the course of the negotiations, the Head of the Yugoslav Delegation repeatedly accused the Allied Military Government of bad faith and of unwillingness to meet its Peace Treaty obligations towards Yugoslavia. These accusations were reiterated in the Yugoslav press. In fact, the Allied Military Government agreed to pay in full the bill submitted by the Yugoslav Government for electricity supplied to the British/United States Zone during the year following the coming into force of the Peace Treaty. This was done in spite of the fact that the rates charged were almost double those paid to Italy for the same period. Moreover, although the Allied Military Government could not see its way to accepting the Yugoslav contention that electricity to be supplied in the future should be paid for at rates considerably higher than those charged by Italy, it showed its willingness to make appreciable concessions in order to make agreement possible. The Peace Treaty with Italy places no obligation on

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the Government of the Free Territory or of either of its Zones to buy electricity at excessive prices.

Between 22 July and 16 December there was an encouraging absence of frontier incidents reflecting a hostile attitude on the part of the members of the Yugoslav armed forces towards Allied personnel and the British/United States Zone civil police. It is therefore particularly regrettable that on 17 December the Allied Military Government found it necessary to address a protest to the Yugoslav Mission in Trieste against the action of a Yugoslav military patrol on the previous day. The patrol, which was led by an officer, crossed the frontier between the British/United States Zone and Yugoslavia on two occasions and one of its members threatened a British patrol with his rifle. This episode was followed by attempts to make small encroachments by moving frontier marks, during the hours of darkness, further into Triestine territory. A few days later, at another point on the same frontier, three Yugoslav soldiers approached the Trieste frontier guards and informed them that they would open fire on any vehicle the lights of which shone into Yugoslav territory from the Trieste side of the frontier. While these aggressive manifestations are on a small scale, they are likely to lead to serious incidents and I need not emphasise the fact that they are not calculated to encourage commercial movement or friendly frontier traffic between this Zone and Yugoslavia.

The Allied Military Government's note of 27 December 1947, asking for information regarding persons alleged to have been deported to Yugoslavia in 1945, as well as subsequent reminders has remained unanswered. In view of the fact that the Yugoslav Government has recently concluded an agreement with the Italian Government for the repatriation of Italian nationals detained in Yugoslavia, the British and United States Governments have again requested the Yugoslav Government to repatriate persons who, at the time of their deportation, were residents in what is now the British/United States Zone.

3. Relations with the Yugoslav Zone, F.T.T.

During the quarter no meetings have been held of the committee, set up when the Peace Treaty came into force, to deal with economic and related matters of mutual interest to the Governments of the two zones of the Free Territory. Such matters as have arisen have been dealt with either by correspondence or by discussion on a sub-committee level.

4. Movement of persons in and out of the British/United States Zone.

The numbers of recorded entrances into and departures from the Zone during the quarter were:-

	<u>To and From Italy</u>	<u>To and From Yugoslavia</u>	<u>To and From Yugoslav Zone</u>
October	331,417	11,465	214,277
November	297,197	10,042	168,509
December	298,391	10,889	170,445

SECTION 4.

PUBLIC SAFETY.

The quarterly crime return, compiled from police records is reproduced at Appendix A.

SECTION 5.

THE ECONOMIC SITUATION.

1. Economic Cooperation Agreement between the United States of America and the British/United States Zone, Free Territory of Trieste.

The text of the bi-lateral agreement referred to in the introduction to this report is reproduced at Appendix B.

In conformity with the terms of the bi-lateral agreement, a mission from the Economic Cooperation Administration (ECA), the executive agency for the administration of the ERP, headed by Mr. Robert E. Galloway, has been established in Trieste.

2. ERP Aid Since 1 April 1948.

Since the announcement that the Zone was to participate in the ERP, a total amount of \$5,447,121.28 out of the Zone's allocation of \$18.2 million for the year ending 30 April 1949 has so far been expended on food, industrial raw materials, medical supplies and freight.

In accordance with para (2), sub-para (c) of Art. 4 of the Economic Cooperation Agreement between the United States and the Zone, the amount already expended has been converted into lire at the rate of lire 575 to the dollar and the resulting sum of lire 3,132,094,736 has been duly paid into the special AMG Lire Counterpart Fund.

From this fund lire 783,155,925 has been advanced to date in connection with the Zone's Shipbuilding and Shiprepairing Programme and a further lire 960,000,000 in connection with approved industrial investment loans, giving a total of lire 1,743,155,925.

3. The AMG Budget.

At Appendix C is a copy of the agreed minutes of a conference held in Rome at which the Italian government undertook to finance the AMG budget for the period 1 January to 30 June 1949.

At Appendix D are set forth the main items of estimated expenditure and revenue in the budgets for the second half of 1948 and the first half of 1949.

4. The 1949-50 ERP Programme and the Long Term ERP Programme.

Drafts of both the above programmes have been prepared by the Allied Military Government in consultation with the ECA Mission, the Economic Advisory Committee and assisted by two committees of local experts. The 1949-50 Programme includes the laying down of further shipping and the building programme which begins in February 1949 develops. It also covers improvements in the port installations, the modernisation of certain selected industries, the enlargement of the Zone's fishing fleet and agricul-

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tural development.

The Long Term Programme extends until 30 June 1952 by which date the countries participating in the ERP are expected to achieve a satisfactory level of economic activity independent of extraordinary external assistance.

The following tables show estimated indices of production and commercial activity and employment indices for the periods covered by the Current Programme, the 1949-50 Programme and the Long Term Programme.

A. INVOICES OF PRODUCTION AND COMMERCIAL ACTIVITY.

Category	Calculation basis	Year			
		1938	1948-49	1949-50	1952-53
Industrial	Level of production	100	65	90	103
Navigation	Tonnage	100	45.4	49.8	112.1
	Passengers	100	11.1	15.5	38.7
Port Activity	Traffic handled by Port Authority	100	107.4	114.8	127.5
Fishery	Value of Catch	100*)	83.4	152.2	212.8
Agriculture	Value of Produce	100	100.2	113.6	182.5

*) Includes Istrian production

B. EMPLOYMENT INDICES

Year	<u>1938</u>	<u>1948/49</u>	<u>1949/50</u>	<u>1952/53</u>
Industry	100	79	99	109
Navigation	100	21.5	28.6	51.9
Port Activity	100	94.1	100.9	116.8
Fishery	100	318.8	427.4	484.7
Agriculture	100	104.3	112.2	115.1

The ERP plan should result in the following progressive diminution of the external financial assistance required by the zone:-

/Period

<u>Period</u>	<u>Deficit</u>
1948-49	\$ 18,000,000.
1949-50	12,000,000.
1950-51	10,000,000.
1951-52	6,000,000.

The 1949-50 and the Long Term Programmes have been submitted to the O.E.E. for scrutiny.

5. Industry.

(a) Shipbuilding.

It is now planned to begin the building of a total of 94,200 tons of shipping as the first part of the ERP programme, an increase of 3,200 tons on the total originally projected. This addition will enable four vessels to be built in the Zone's smaller shipyards.

Arrangements have already been completed for the laying down of six vessels in accordance with the following programme:-

February 1949 - One 13,000 ton passenger cargo vessel for the Lloyd-Triestino Line.

One 1,000 ton ocean motor fishing vessel for the Genepesca Company, Italy.

April 1949 - A second 13,000 ton passenger-cargo vessel for the Lloyd-Triestino Line.

A second 1,000 ton ocean motor fishing vessel for the Genepesca Company, Italy.

May 1949 - A third 13,000 ton passenger-cargo vessel for the Lloyd-Triestino Line.

June 1949 - A 25,000 ton passenger liner for the Italia Line.

The following vessels are now under construction in the Zone or have been completed during the period covered by this report:

Centriere Riuniti dell' Adriatico (C.R.D.A.)

3 - Motor passenger-cargo ships each of 6,000 TDW for Egyptian owners (referred to in earlier reports). The first was completed and handed over to the owners in November; the second will be handed over early in January 1949 and the third, launched on 30 October, is now being fitted out.

- 2 - Motor cargo ships each of 3,600 TDW and
- 2 - Motor cargo ships each of 1,200 TDW, all of which are being built for the account of the C.R.D.A. for future sale.

Cantiere Blessi

- 1 - Motor cargo vessel of 750 TDW launched in December and now being fitted out.

Cantiere Folszegy

- 1 - Motor cargo vessel of 1,050 TDW for Norwegian owners, due for launching early in 1949
- 1 - Motor tanker of 220 TDW for Italian owners to be launched early in January 1949

Cantiere Navale Giuliano

- 1 - Motor cargo ship of 750 TDW for the builder's own account which will be ready for trials in January 1949

(b) Ship Repairing.

Cantiere Riuniti dell' Adriatico

Repairs to the S. S. "New Westminster City" of the Irish Bay Line, Belfast, referred to in my second report, have been completed and the vessel which has been renamed "Dingle Bay" is now in service. A second vessel of the same line, the S. S. "Dundalk Bay" (ex S. S. Nuremberg) is now in the shipyard undergoing extensive repairs and alterations.

Arsenale Triestino

This yard, which specializes in ship repairs, has been kept fully occupied. At present five vessels are on hand representing work to a total value of lire 500 million.

(c) Steel Production

Unforeseen circumstances have delayed the arrival of Ruhr coal for the production of metallurgical coke and starting up the blast furnace has had to be postponed. The steel making plant has however been in

/continuous

continuous operation and has produced 7,794 tons of ingots and sheets during the last quarter of 1948 making a total of 38,952 tons for the year.

(d) Mineral Oil Refining

The production of the Zone's two petroleum refineries is shown in the following table:-

	<u>Product</u>	<u>Total 1948</u>	<u>Last Quarter 1948</u>
<u>AQUILA</u>	Gasoline	63,561 tons	18,000 tons
	White spirit	4,600 "	1,500 "
	Kerosene	31,000 "	10,000 "
	Gasoil	95,000 "	27,000 "
	Fuel oil	198,000 "	60,000 "
<u>S.I.A.P.</u>	Gasoline	8,500 tons	3,000 tons
	Kerosene	12,800 "	4,300 "
	Gasoil	3,200 "	800 "
	Luboil	11,800 "	3,200 "
	Fuel oil	27,000 "	14,000 "
	Bitumen	13,300 "	2,000 "

Plans have been prepared and are under examination by the E.C.A. for the reconstruction of the war damaged "AQUILA" lubricating oil installations and reforming plant for high octane petrol.

(e) Vegetable Oil Refining

The production of the Gaslini Vegetable Oil Refinery is shown in the following table:

	<u>Product</u>	<u>Total 1948</u>	<u>Last Quarter 1948</u>
	Raw oil	4,376 tons	930 tons
	Refined oil	3,367 "	499 "
	Oleins	239 "	16 "
	Oil cakes	5,574 "	2,913 "

Apart from producing edible oils for consumption in Italy, the Gaslini Refinery is to process 1,300 tons of peanuts imported by AMG for conversion into edible oil for distribution in the Zone. Arrangements are also in progress for the processing of a further 12,000 tons of oil seeds for the Austrian Government and a first shipment of 1,500 tons arrived late in December. In order to relieve the acute shortage of edible oils in Austria, an advance of 300 tons was issued from the Gaslini stocks.

(f) Miscellaneous Industries

Many of the lesser industries are experiencing difficulty due to lack of demand for their products. This is particularly true of the small shipyards and general engineering firms. Small shipowners are awaiting the publication of Italian Government legislation concerning financial contributions to the cost of building and, to bridge the time of waiting, applications from local firms are being considered in connection with the allocation of the four small vessels referred to in subpara (a) above. General engineering firms depend to a large extent upon the activity of the shipbuilding industry and will be in a much stronger position as soon as sub-contracts for equipment for ships to be laid down during the first six months of 1949 can be awarded.

The jute and hemp spinning and weaving factory in the Zone is also in difficulties, partly on account of the shortage of jute from India and in part to the out-of-date equipment of the factory. An investigation is being made of the cost of modernizing the plant and of making it suitable for working hemp which is more readily available.

The brewery, liqueur and confectionery industries have maintained a satisfactory level of production.

/Due

Due to delay in the delivery and installation of machinery, the new Variolo flour mill, referred to in my third report, did not open until 13 November instead of in August as planned. The mill is equipped with the latest type of flour-milling machinery and is capable of handling 1,800 tons of wheat per month and employs 25 workers.

A sum of Lire 700 million has been earmarked by AMG as loans to assist in the development of the Zone's fish canning industry and negotiations are proceeding with interested firms. When established on modern lines this industry should prove a valuable adjunct to the economy of the Zone.

6. Loans to Industry

A special section of the AMG Directorate of Finance and Economics has been set up with the task of processing and screening applications for industrial loans. So far, as a result of the Sections' recommendations, loans amounting to Lire 773,700,000 have been granted and applications involving Lire 458,000,000 have been refused. Applications for loans totalling Lire 2,884,000,000 are under investigation and it is expected that the decisions regarding them will be announced before the end of January. In dealing with applications for loans, one of the main problems has been that of balancing the requirements of industrial efficiency with the need for maintaining the level of employment.

7. Foreign Trade

Figures showing imports and exports are at Appendix E.

8. Public Works

A list of Public Work projects, showing the average number of workers employed during the quarter is given at Appendix F.

9. AMG Housing Programme

Owing to bad weather conditions, only 407 out of the 1040 new apartments predicted in my last report were completed by the end of the

/year

year, but it is anticipated that a further 409 apartments will be ready for occupation during January and the balance of 242 before the end of April.

10. Electricity Supply.

(a) Quandripartite Conference at Bled

A conference was held at Bled, Yugoslavia, from 10 to 23 November to discuss matters relating to the supply of electrical energy to the Free Territory from Yugoslav power stations during the military government period. Delegations from the Italian and Yugoslav Governments and from the Military Governments of the two Zones of the F.T.T. attended. The main objects of the conference were:-

- (i) To reach agreement concerning payment for electricity supplied to the two Zones by Yugoslavia between 19 November 1947 and 30 September 1948.
- (ii) To determine the future electricity requirements of the two Zones and the rates to be paid to the Yugoslav Government.
- (iii) To settle certain technical questions connected with the measurement and distribution of electricity.

The Allied Military Government accepted the rate of 4.50 lire per KWH charged by the Yugoslav Government for electricity already supplied to the British/United States Zone and the agreed sum, amounting to 300,672,562 lire, was subsequently credited to the Yugoslav compensation account.

In regard to electricity to be supplied to the Zone in the future, however, the lowest rates which the Yugoslav Government was prepared to charge were considerably higher than those which the Allied Military Government could economically pay. They in fact greatly exceeded those charged by Italy, and, if accepted, would have entailed a disastrously high rise in the cost of electricity for the consumer in Trieste, and the conference was closed without agreement having been reached on this question. The

/Chief

Chief of the Yugoslav Delegation was not prepared to agree to a suggestion by the Chiefs of the Italian and AMG delegations that a note verbale should be signed, placing on record the agreements which had been reached on nearly all of the remaining 21 technical and general clauses of the draft agreement which was used as a basis for discussion.

(b) The electricity rates in the Zone have been raised so as to coincide with those charged in Italy from whence a large part of the current is derived.

11. Trieste Port (For detailed statistics see Appendix G)

Although the total volume of traffic through the port during the quarter was lower than had been anticipated owing to the prolonged shipping strike in the United States, the reduction will be made good during the coming quarter by the arrival of cargoes which were held up. During the month of October, which was unaffected by the strike, imports by sea amounted to 218,740 tons, 63% above the total for October 1947. Exports during the same month amounted to 60,191 tons, exceeding those for October 1947 by 37%. This increase in port activity is due to two main causes; the use of the port by the United States Government for civil supplies to Austria and greatly increased imports and re-exports of mineral oils and mineral oil products:

The U.S.A. remains the principal country of origin for imports (34% of the whole) and Italy provides the chief export market (37% of the whole, principally mineral oil products),

12. Salvage of ships and port clearance.

Since September 1947, 14 small or medium sized vessels and craft sunk in the waters of the Zone have been raised. After raising, they have either been demolished and the scrap metal used for steel production and other purposes, or, as in the case of the light cruiser ETNA and the mine-layer LAURANA, they have been used to assist in other salvage operations.

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The main work now on hand is the salvage of the three ex-Italian liners, DUILIO, GIULIO CESARE and SABAUDIA, all lying in Muggia Bay. Rapid progress was made in the earlier stages of this work, and considerable quantities of scrap metal were salvaged. Owing however to difficulties due to damage to the ships before they were sunk and consequent structural weaknesses, the work has lately proceeded more slowly. The salvage of the destroyers FIGAFETTA and SEBENICO and the ex-Greek collier PROMETHEUS is also on hand and two wrecked Liberty ships and the battleship CONTE DI CAVOUR remain to be salvaged. The latter, which lies capsized in shallow water in the middle of the port area, contains much valuable material but presents a most difficult salvage problem and tenders for its salvage have been invited. Before considering them, however, it has been found necessary to obtain the advice of an independent salvage expert of international repute, whose report is expected in the near future.

SECTION 6.

LABOUR.

During the quarter, there have been thirteen minor strikes in the Zone, one of which involved 700 workers and the remainder less than 350. One of these strikes was called on political and the remainder on economic grounds.

The agitation amongst steel workers for increased pay and allowances, which began in September, has been suspended pending the outcome of negotiations on the same subject in Italy. The question of the increases in food prices announced on 12 September, which gave rise to protests by the Trades Unions, has been settled. The following figures show

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the employment and unemployment situation in the Zone over the past six months:-

	JULY	AUGUST	SEPT.	OCT.	NOV.	DEC.
EMPLOYED	85,056	85,698	86,072	86,443	92,874*)	91,833*)
UNEMPLOYED	24,277	22,080	23,562	22,024	20,815	20,295

*) Includes 6,050 farmers who are occupied full time on their personally owned or operated farms and who have not previously been shown as employed.

A breakdown of the employment and unemployment figures for the quarter under review as between the various main classes of work is at Appendix H.

SECTION 7.

PUBLIC HEALTH.

Following the reopening of schools after the summer holidays there has been an increase in scarlet fever amongst children. With the coming of winter there has also been a seasonal increase in pulmonary diseases. On the whole, however, public health has remained satisfactory. The following figures give an indication of the health situation in Trieste in 1948 as compared with 1938:-

	<u>1938</u>	<u>1948</u>
Death rate per 1000 inhabitants	13.20	9.01
Infant mortality per 1000 live births	93.7	53.4
Infectious disease rate per 1000 inhabitants	5.95	2.93
Tuberculosis " " " " "	1.60	2.15

The increase in the incidence of tuberculosis must primarily be attributed to the effects of the war.

Figures showing the incidence of infectious diseases in the Zone are given at Appendix I.

/SECTION 8.

SECTION 8.

EDUCATION.

The Elementary Schools in the Zone opened on 4 October and the Secondary Schools on 16 October.

There has been little change in the numbers of students in Italian Schools. There is however a drop in the numbers of students enrolling in the first grades of the Slovene Elementary Schools.

Corrective courses for physically defective children have been started under the supervision of specialized physical training masters. Medical services are now available to all elementary school children.

Facilities are available whereby needy pupils of the Elementary Schools may receive free text books. This caters for 25% of the pupils in Trieste and 35% of those in the outlying districts.

Free school lunches are provided for those pupils who apply for them. The following figures show the number of children at present receiving them:-

	<u>Italians</u>	<u>Slovenes</u>	<u>Total</u>
Elementary and Secondary Schools	3680	2362	6042
Kindergartens	2309	424	2733
Total	5989	2786	8775

For both Italian and Slovene elementary and secondary schools, temporary teachers have now been appointed for the school year 1948-49. Special Commissions were set up to establish graduated lists of applicants, based upon personal qualifications.

Ten new Slovene language text-books have been produced.

SECTION 9.

PRESS AND RADIO.

In general the status of the Press and Radio in the Zone for the period under review has remained unchanged and the free dissemination of
/information

information continues to be fostered insofar as this policy is compatible with military and personal security. As pointed out in a previous report, no censorship exists in the Zone, nor is any limit placed on the number of publications which any political party may issue provided such publications adhere to the laws governing printed matter. I have been much concerned to improve the relationship between the Allied Military Government and the local press. To this end I arranged for the Director of Information of Allied Military Government to hold press conferences twice weekly. These conferences serve to inform the journalists more comprehensively and in greater detail regarding the policy and administration of Allied Military Government. I hope that they will help the press to present to the public the development of the administration in its proper perspective.

Owing to financial and administrative difficulties caused by the Yugoslav-Cominform schism, the Communist youth weekly "Gloventu", the monthly women's periodical, "Donno", and the monthly dialectical review, "Il Comunista", have been obliged at one time or another to suspend publication. The pro-Cominform elements have also taken legal action against the pro-Tito party regarding the right of ownership to items of machinery contained in various printing establishments sponsored by the Communist Party.

In view of the complexities of the legal requirements involved in registering all publications printed in the Zone under the new press laws promulgated on 11 July 1948, the final date for registration has been extended from 11 November 1948 to 31 December 1948.

/SECTION 10.

SECTION 10.

RELIGIOUS ACTIVITIES.

Allied Military Government has given its approval on a provisional basis, limited to the period of its administration, to the first new Roman Catholic parish to be created in the Zone since the war, in the central part of Trieste.

The Reverend Dr. GIORGIO GIRARDET has been designated as pastor of the United Swiss Evangelical and Weldenian Church in succession to Dr. Guglielmo del Pesco on the latter's appointment as Moderator of the Weldenian Church.

The Serbian Orthodox Community held its triennial meeting during October at which the President and other officers were elected.

Arrangements are being made to begin, early in 1949, the restoration of the ancient gothic church of S. GIOVANNI DI DUINO, the fine fabric of which has been in danger of crumbling away since the destruction of the church in the first World War.

SECTION 11.

PUBLIC WELFARE.

Information regarding Welfare Relief provided by the AMG Public Welfare Office and the movement of refugees, and optees for Italian nationality, into and through the Zone are given at Appendix J.

SECTION 12.

A G R I C U L T U R E.

In spite of predictions to the contrary, the grape harvest has exceeded the yield of last year by thirty per cent. The wines produced, although not quite up to the standard of the 1947 vintage, are of good quality.

The following comparative table shows the animal population of the

/Zono

Zone in 1945 and in 1948:-

	1945 (Head)	1948 (Head)
Cattle (Milk & Meat)	3.973	4.578
Swine	1.734	3.113
Sheep	242	402
Goats	1.260	1.949

During the past three months, 550,000 new trees have been planted under Allied Military Government's perennial reforestation plan. All preparations have moreover been made for the 1949 plantings.

SECTION 13.

F I S H E R I E S

The sum of 360,000,000 lire has been earmarked as a loan for the establishment of a high-seas fishing fleet. The project provides for the acquisition of twelve vessels capable of fishing in the southern Adriatic and Mediterranean seas and of remaining at sea for a month or longer. Hitherto, Trieste fishermen have been equipped with small craft which could not remain at sea for prolonged periods. Their fishing has therefore been confined to local waters. The high-seas fleet should make Trieste self-supporting as regards fresh fish and should provide a surplus for canning.

The Timavo River Fisheries project, which it was hoped would have been finished by the end of the year, has been held up owing to the unexpectedly large number of unexploded artillery shells from the two World Wars, which have been dredged up. Additional pay for workers on the project on account of the risks involved has now been agreed to and work is due to begin again in January.

SECTION 14.

R A I L W A Y S.

For Traffic Statistics, see Appendix K.

A conference was held in Trieste from 1st to 8th November between rep-

representatives of the Yugoslav Railways and of the Railways of the British/United States Zone at which a provisional agreement for the working of the cross-frontier railway service was reached. The agreement included traffic working arrangements between frontier points and hand-over stations, definition of responsibility for accidents or damage to installations in the frontier sections, and financial repayment clauses for services performed and other liabilities between the two parties. A further special agreement was made for the provisional application of R.I.V. (International regulations for reciprocal use of goods vehicles) as between the two railway administrations.

SECTION 15.

POST AND TELECOMMUNICATIONS.

Views have been exchanged with the Yugoslav Ministry of Post and Telecommunications regarding services between the Zone and Yugoslavia, and it is hoped that an agreement will be reached shortly.

New automatic telephone equipment has recently been installed in one of the two exchanges in Trieste. The new equipment will enable 2.600 new subscribers to be connected, increasing the revenue of the telephone service by some 30.000.000 lire annually. After the installation of the new equipment, there will be 17.000 telephone subscribers in Trieste and the waiting list will be reduced to about 500.

During October an International Postage Stamp Exhibition was held in Trieste. To mark the occasion, six values of the Zone's overprinted Italian stamps were specially issued. A profit of 13.000.000 lire was realized on the sale of these stamps.

In addition, the Postal Administration of the Zone was awarded a diploma at the Turin Stamp Exhibition.

APPENDIX 'A'

BRITISH/UNITED STATES ZONE

CRIME RETURN

(1 October - 31 December 1948)

A. Cases reported

B. Persons arrested

	<u>A</u>	<u>B</u>
1) Murder.....	-	-
2) Attempted murder.....	3	4
3) Manslaughter.....	-	-
4) Abduction.....	-	2
5) Rape.....	-	-
6) Serious Woundings.....	46	13
7) Assault with weapons.....	-	-
8) Assault on police (other than cases in cat. 6 and 7).....	2	8
9) Arson.....	16	-
10) Damage or attempted damage by explosion.....	-	-
11) Extortion and blackmail.....	2	2
12) Threats to kill or injure.....	9	4
13) Threats to damage property.....	5	1
14) Robbery.....	9	2
15) Theft.....	678	66
16) Fraud and embezzlement.....	55	47
17) Possession of explosives, arms and ammunition.....	8	9
18) Receiving.....	6	5
19) Forgery.....	-	-
Grand Total.....	839	163

APPENDIX 'B'
ECONOMIC COOPERATION AGREEMENT BETWEEN THE
UNITED STATES OF AMERICA AND THE
BRITISH/UNITED STATES ZONE,
FREE TERRITORY OF TRIESTE.

Preamble

The Government of the United States of America and, on behalf of the British/United States Zone, Free Territory of Trieste, the Commander, British/United States Forces, Free Territory of Trieste:

Recognizing that the restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance;

Recognizing that a strong and prosperous European Economy is essential for the attainment of the purposes of the United Nations;

Considering that the achievement of such conditions calls for a European recovery plan of self-help and mutual cooperation open to all nations which cooperate in such a plan, based upon a strong production effort, the expansion of foreign trade, the creation or maintenance of internal financial stability and the development of economic cooperation, including all possible steps to establish and maintain valid rates of exchange and to reduce trade barriers;

Considering that in furtherance of these principles the Commander, on behalf of the UK/US Zone, has joined with other like-minded nations in the Convention for European Economic Cooperation signed at Paris on April 16, 1948 under which the signatories of that Convention agreed to undertake as their immediate task the elaboration and execution of a joint recovery programme, and that the UK/US Zone is a member of the Organization for European Economic Cooperation created pursuant to the provisions of that Convention;

Considering also that, in furtherance of these principles, the Government of the United States of America has enacted the Economic Cooperation Act of 1948, providing for the furnishing of assistance by the United States of America to nations participating in a joint programme for European recovery in order to enable such nations through their own individual and concerted efforts to become independent of extraordinary outside economic assistance;

Desiring to set forth the understandings which govern the furnishing of assistance by the Government of the United States of America under the Economic Cooperation Act of 1948, the receipt of such assistance by the UK/US Zone, and the measures which the two parties will take individually and together in furthering the recovery of the UK/US Zone as an integral part of the joint programme for European recovery;

Have agreed as follows :

/Article I

Article I , APPENDIX 'B' (Continued)

(Assistance and Cooperation)

1. The Government of the United States of America undertakes to assist the UK/US Zone, by making available to the Commander or to any person, agency or organization designated by the latter such assistance as may be requested by him and approved by the Government of the United States of America. The Government of the United States of America will furnish this assistance under the provisions, and subject to all of the terms, conditions and termination provisions, of the Economic Cooperation Act of 1948, acts amendatory and supplementary thereto and appropriation acts thereunder, and will make available to the Commander only such commodities, services and other assistance as are authorized to be made available by such acts.

2. The Commander, acting directly and through the Organization for European Economic Cooperation, consistently with the Convention for European Economic Cooperation signed at Paris on April 16, 1948, will exert sustained efforts in common with other participating countries speedily to achieve through a joint recovery program economic conditions in Europe essential to lasting peace and prosperity and to enable the countries of Europe participating in such a joint recovery program to become independent of extraordinary outside economic assistance within the period of this Agreement. The Commander will take action to carry out the provisions of the General Obligations of the Convention for European Economic Cooperation, to continue to participate actively in the work of the Organisation for European Economic Cooperation, and to adhere to the purposes and policies of the Economic Cooperation Act of 1948.

3. The Commander will carry out his obligations under this Agreement with due regard for his responsibilities under the relevant clauses of the Treaty of Peace with Italy signed at Paris February, 1947.

4. With respect to assistance furnished by the Government of the United States of America to the UK/US Zone and procured from areas outside the United States of America, its territories and possessions, the Commander will cooperate with the Government of the United States of America in ensuring that procurement will be effected at reasonable prices and on reasonable terms and so as to arrange that the dollars thereby made available to the country from which the assistance is procured are used in a manner consistent with any arrangements made by the Government of the United States of America with such country.

Article II

(General Undertakings)

1. In order to achieve the maximum recovery through the employment of assistance received from the Government of the United States of America, the Commander will use his best endeavors:

- a) to adopt or maintain the measures necessary to ensure efficient and practical use of all the resources available to the UK/US Zone, including

- (i) such measures as may be necessary to ensure that the

/commodities....

APPENDIX 'B' (Continued)

commodities and services obtained with assistance furnished under this Agreement are used for purposes consistent with this Agreement and, as far as practicable, with the general purposes outlined in the schedules furnished by the Commander in support of the requirements of assistance to be furnished by the Government of the United States of America;

- (ii) the observation and review of the use of such resources through an effective follow-up system approved by the Organization for European Economic Cooperation; and
 - (iii) to the extent practicable, measures to locate, identify and put into appropriate use in furtherance of the joint program for European recovery, assets, and earnings therefrom, which belong to citizens and juridical persons domiciled within the boundaries of the UK/US Zone and which are situated within the United States of America, its territories or possessions. Nothing in this clause imposes any obligation on the Government of the United States of America to assist in carrying out such measures or on the Commander to dispose of such assets;
- b) to promote the development of industrial and agricultural production on a sound economic basis; to achieve such production targets as may be established through the Organization for European Economic Cooperation; and when desired by the Government of the United States of America, to communicate to that Government detailed proposals for specific projects contemplated by the Commander to be undertaken in substantial part with assistance made available pursuant to this Agreement, including whenever practicable projects for increased production of steel and transportation facilities;
 - c) to balance the governmental budget as soon as practicable and to create or maintain internal financial stability; and
 - d) to cooperate with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and in reducing public and private barriers to trade among themselves and with other countries.

2. Taking into account Article 8 of the Convention for European Economic Cooperation looking toward the full and effective use of manpower available in the participating countries, the Commander, with due regard for the urgency and importance of the problems of surplus manpower in the UK/US Zone, will accord sympathetic consideration to proposals made in conjunction with the International Refugee Organization directed to the largest practicable utilization of manpower available in any of the participating countries in furtherance of the accomplishment of the purposes of this Agreement.

3. The Commander will take the measures which he deems appropriate, and will cooperate with other participating countries, to prevent, on the part of private or public commercial enterprises, business practices or business arrangements affecting international trade which restrain competition, limit access to markets or foster monopolistic control whenever such practices or arrangements have the effect of interfering with the achievement of the joint program of European recovery.

APPENDIX 'B' (Continued)

Article III

(Guaranties)

1. The Government of the United States of America and the Commander will, upon the request of either party, consult respecting projects in the UK/US Zone proposed by nationals of the United States of America and with regard to which the Government of the United States of America may appropriately make guaranties of currency transfer under section III (b)(3) of the Economic Cooperation Act of 1948.

2. The Commander agrees that if the Government of the United States of America makes payment in United States dollars to any person under such a guaranty, any Italian lire, or credits in Italian lire, assigned or transferred to the Government of the United States of America pursuant to that section shall be recognised as property of the Government of the United States of America.

Article IV

(Local Currency)

1. The provisions of this Article shall apply only with respect to assistance which may be furnished by the Government of the United States of America on a grant basis.

2. The Commander will establish a special account in the Banca d'Italia in the name of the Commander (hereinafter called the Special Account) and will make deposits in Italian lire to this account as follows :

- (a) The unencumbered balance, at the close of business on the date of this Agreement, in the Special Account in the Banca d'Italia established in accordance with the provisions of Section 6 of Public Law 84, Eightieth Congress, and Section 103 (b) of the Economic Cooperation Act of 1948, together with any further sums which may, from time to time, be required to be deposited in the Special Account. It is understood that subsection (c) of Section 114 of the Economic Cooperation Act of 1948 constitutes the approval and determination of the Government of the United States of America with respect to the disposition of such balance.
- (b) Amounts commensurate with the indicated dollar cost to the Government of the United States of America of commodities, services and technical information (including any costs of processing, storing, transporting, repairing or other services incident thereto) made available to the UK/US Zone on a grant basis by any means authorized under the Economic Cooperation Act of 1948. The Government of the United States of America shall from time to time notify the Commander of the indicated dollar cost of any such commodities, services and technical information, and the Commander will thereupon deposit in the Special Account a commensurate amount of Italian lire computed at a rate of exchange which shall be the par value agreed at such time with the International Monetary Fund; provided that this agreed value is the single rate applicable to the purchase of dollars for imports into the

/UK/US.....

APPENDIX 'B' (Continued)

UK/US Zone. If at the time of notification a par value for the Italian lire is agreed with the Fund and there are one or more other rates applicable to the purchase of dollars for imports into the UK/US Zone or, if at the time of notification no par value for the Italian lire is agreed with the Fund, the rate or rates for this particular purpose shall be mutually agreed upon between the Commander and the Government of the United States of America. The Commander may at any time make advance deposits in the Special Account which shall be credited against subsequent notifications pursuant to this paragraph.

3. The Government of the United States of America will from time to time notify the Commander of its requirements for administrative expenditures in Italian lire within the UK/US Zone incident to operations under the Economic Cooperation Act of 1948, and the Commander will thereupon make such sums available out of any balances in the Special Account in the manner requested by the Government of the United States of America in the notification.

4. Five percent of each deposit made pursuant to this Article in respect of assistance furnished under authority of the Foreign Aid Appropriation Act, 1949, shall be allocated to the use of the Government of the United States of America for its expenditures in the UK/US Zone and sums made available pursuant to paragraph 3 of this Article shall first be charged to the amounts allocated under this paragraph.

5. The Commander will further make such sums of Italian lire available out of any balances in the Special Account as may be required to cover costs (including port, storage, handling and similar charges) of transportation from any point of entry in the UK/US Zone to the consignee's designated point of delivery in the UK/US Zone of such relief supplies and packages as are referred to in Article V.

6. The Commander may draw upon any remaining balance in the Special Account for such purposes as may be agreed from time to time with the Government of the United States of America. In considering proposals put forward by the Commander for drawings from the Special Account, the Government of the United States of America will take into account the need for promoting or maintaining internal monetary and financial stabilization in the UK/US Zone and for stimulating productive activity and international trade and the exploration for and development of new sources of wealth within the UK/US Zone, including in particular :

- (a) expenditures upon projects or programs, including those which are part of a comprehensive program for the development of the productive capacity of the UK/US Zone and the other participating countries, and projects or programs the external costs of which are being covered by assistance rendered by the Government of the United States of America under the Economic Cooperation Act of 1948 or otherwise, or by loans from the International Bank of Reconstruction and Development; and
- (b) effective retirement of public debt, especially debt held by banking institutions.

APPENDIX 'B' (Continued)

7. Any unencumbered balance, other than unexpended amounts allocated under paragraph 4 of this Article, remaining in the Special Account on June 30, 1952, shall be disposed of within the UK/US Zone for such purposes as may hereafter be agreed between the Governments of the United States of America and the Commander, it being understood that the agreement of the United States of America shall be subject to approval by Act or joint resolution of the Congress of the United States of America.

Article V

(Travel Arrangements and Relief Supplies)

1. The Commander will cooperate with the Government of the United States of America in facilitating and encouraging the promotion and development of travel by citizens of the United States of America to and within participating countries.

2. The Commander will, when so desired by the Government of the United States of America, enter into negotiations for agreements (including the provision of duty-free treatment under appropriate safeguards) to facilitate the entry into the UK/US Zone of supplies of relief goods donated to or purchased by United States voluntary non-profit relief agencies and of relief packages originating in the United States of America and consigned to individuals residing in the UK/US Zone.

Article VI

(Consultation and Transmittal of Information)

1. Parties to this Agreement will, upon request of either of them, consult together regarding any matter relating to the application of this Agreement or to operations or arrangements carried out pursuant to this Agreement.

2. The Commander will communicate to the Government of the United States of America in a form and at intervals to be indicated by the latter after consultation with the Commander:

- (a) detailed information of projects, programs and measures proposed or adopted by the Commander to carry out the provisions of this Agreement and the General Obligations of the Convention for European Economic Cooperation;
- (b) full statements of operations under this Agreement, including a statement of the use of funds, commodities and services received thereunder, such statements to be made in each calendar quarter;
- (c) information regarding the economy of the UK/US Zone and any other relevant information, necessary to supplement that obtained by the Government of the United States of America from the Organization for European Economic Cooperation, which the Government of the United States of America may need to determine the nature and scope of operations under the Economic Cooperation Act of 1948, and to evaluate the effectiveness of assistance furnished or contemplated under this Agreement and generally the progress of the joint recovery program.

/Article VII

APPENDIX 'B' (Continued)

Article VII

(Publicity)

1. The Government of the United States of America and the Commander recognize that it is in their mutual interest that full publicity be given to the objectives and progress of the joint program for European recovery and of the actions taken in furtherance of that program. It is recognized that wide dissemination of information on the progress of the program is desirable in order to develop the sense of common effort and mutual aid which are essential to the accomplishment of the objectives of the program.

2. The Government of the United States of America will encourage the dissemination of such information and will make it available to the media of public information.

3. The Commander will encourage the dissemination of such information both directly and in cooperation with the Organization for European Economic Cooperation. He will make such information available to the media of public information and take all practicable steps to ensure that appropriate facilities are provided for such dissemination. He will further provide other participating countries and the Organization for European Economic Cooperation with full information on the progress of the program for economic recovery.

4. The Commander will make public in the UK/US Zone in each calendar quarter, full statements of operations under this Agreement, including information as to the use of funds, commodities and services received.

Article VIII

(Missions)

1. The Commander agrees to receive a Special Mission for Economic Cooperation which shall conform to any administrative arrangement established by the President of the United States of America pursuant to Section 109(d) of the Economic Cooperation Act of 1948 and which will discharge the responsibilities of the Government of the United States of America in the UK/US under this Agreement.

2. The Commander, upon appropriate notification from the Government of the United States of America, will accord appropriate courtesies to the Special Mission and its personnel, the United States Special Representative in Europe and his staff, and to the members and staff of the Joint Committee on Foreign Economic Cooperation of the Congress of the United States of America, and will grant them the facilities and assistance necessary to the effective performance of their responsibilities to assure the accomplishment of the purposes of this Agreement.

3. The Commander, directly and through his representatives on the Organization for European Economic Cooperation, will extend full cooperation to the Special Mission, to the United States Special Representative in Europe and his staff, and to the members and staff of the Joint Committee. Such cooperation shall include the provision of all

/information.....

APPENDIX 'B' (Continued)

information and facilities necessary to the observation and review of the carrying out of this Agreement, including the use of assistance furnished under it.

Article IX

(Definitions)

As used in this Agreement:

1. The "UK/US Zone" means that zone of the Free Territory of Trieste under the joint administration of the United Kingdom and United States military commands.
2. The "Commander" means the Commander, British-United States Forces, Free Territory of Trieste.
3. The term "participating country" means
 - (i) any country which signed the Report of the Committee of European Economic Cooperation at Paris on September 22, 1947, and territories for which it has international responsibility and to which the Economic Cooperation Agreement concluded between that country and the Government of the United States of America has been applied, and
 - (ii) any other country (including any of the zones of occupation of Germany, and areas under international administration or control, and the Free Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration;

for as long as such country is a party to the Convention for European Economic Cooperation and adheres to a joint program for European recovery designed to accomplish the purposes of this Agreement.

Article X

(Entry into Force, Amendment, Duration)

1. This Agreement shall become effective on this day's date. Subject to the provisions of paragraphs 2 and 3 of this Article, it shall remain in force until June 30, 1953, or until the authority of the Commander with respect to the UK/US Zone shall have ceased, whichever is the earlier date.
2. If, during the life of this Agreement, either the Government of the United States of America or the Commander should consider there has been a fundamental change in the basic assumptions underlying this Agreement, the other shall be so notified in writing and the Government of the United States of America and the Commander will thereupon consult with a view to agreeing upon the amendment, modification or termination of this Agreement. If, after three months from such notification, no agreement has been reached upon the action to be taken in the circumstances, either party may give notice in writing to the other of intention to terminate this Agreement. Then, subject to the provisions of paragraph 3 of this Article, this Agreement shall terminate either:

/(a).....

APPENDIX 'B' (Continued)

- (a) six months after the date of such notice of intention to terminate, or
 - (b) after such shorter period as may be agreed to be sufficient to ensure that the obligations of the Commander are performed in respect of any assistance which may continue to be furnished by the Government of the United States of America after the date of such notice.
3. Article IV shall remain in effect until all the sums in the currency of the UK/US Zone required to be deposited in accordance with its own terms have been disposed of as provided in that Article. Paragraph 2 of Article III shall remain in effect for so long as the guaranty payments referred to in that Article may be made by the Government of the United States of America.
4. This Agreement may be amended at any time by agreement between the parties.
5. The Annex to this Agreement forms an integral part thereof.
6. This Agreement shall be registered with the Secretary-General of the United Nations.

IN WITNESS WHEREOF the respective representatives, duly authorized for the purpose, have signed the present agreement.

Done at Trieste, in duplicate, both texts authentic, this 15th day October 1948.

Major General T.S. Airey, C.B., C.B.E.
Commander, British/United States Zone,
Free Territory of Trieste.

Robert P. Joyce, United States Political
Adviser to the Commander, British/United
States Zone, Free Territory of Trieste,
and Ad Interim Representative for the
Economic Cooperation Administration.

/ANNEX

APPENDIX 'B' (Continued)

ANNEX

Interpretative Notes

1. It is understood that the requirements of paragraph 1(a) of Article II, relating to the adoption of measures for the efficient use of resources, would include, with respect to commodities furnished under the agreement, effective measures for safeguarding such commodities and for preventing their diversion to illegal or irregular markets or channels of trade.

2. It is understood that the obligation under paragraph 1(c) of Article II to balance the governmental budget as soon as practicable would not preclude deficits over a short period but would mean budgetary policy involving the balancing of the budget in the long run.

3. It is understood that the business practices and business arrangements referred to in paragraph 3 of Article II mean:

- (a) fixing prices, terms or conditions to be observed in dealing with others in the purchase, sale or lease of any product;
- (b) excluding enterprises from, or allocating or dividing, any territorial market or field of business activity, or allocating customers, or fixing sales quotas or purchase quotas;
- (c) discriminating against particular enterprises;
- (d) limiting production or fixing production quotas;
- (e) preventing by agreement the development or application of technology or invention whether patented or unpatented;
- (f) extending the use of rights under patents, trade marks or copyrights granted by either country to matters which, according to its laws and regulations, are not within the scope of such grants, or to products or conditions of production, use or sale which are likewise not the subjects of such grants; and
- (g) such other practices as the two Governments may agree to include.

4. It is understood that the Commander is obligated to take action in particular instances in accordance with paragraph 3 of Article II only after appropriate investigation or examination.

5. It is understood that the Commander will not be requested, under paragraph 2(a) of Article VI, to furnish detailed information about minor projects or confidential commercial or technical information the disclosure of which would injure legitimate commercial interests.

APPENDIX 'C'

AGREED MINUTES OF THE CONFERENCES HELD IN
ROME FOR THE EXAMINATION OF THE ESTIMATED
BUDGET OF THE BRITISH-UNITED STATES ZONE
OF THE F.T.T. FOR THE PERIOD 1st JANUARY
1949-30th JUNE 1949

The Representatives of the Government of the Italian Republic and of the British-United States Military Command of the relevant Zone of the Free Territory of Trieste, acting in pursuance of Article 3 of the Agreement on Finance dated March 9, 1948 and in implementation of Article 11 of the provisional regime for the Free Territory of Trieste, have during the conferences held in Rome on the 22, 23, 29 and 30 December 1948 come to the following conclusions:

1. The agreed budget of the Zone for the period 1st January-30th June 1949 is:

a) Ordinary expenditures	L.	7.544.994.492
b) Ordinary receipts	"	6.200.309.000
c) Ordinary deficit (a-b)	"	1.344.685.492
d) Extraordinary expenditures (net)	"	5.511.690.000
e) Gross total of the ordinary and extraordinary deficit (c/d)	"	6.856.375.492
f) Net receipts shown under the heading "Movement of Capital"	"	115.000.000
g) Net total Liro requirements (e-f)	"	6.741.375.492

2. The Receipts for the actual sales of ERP goods allocated to the Zone and the relevant expenditure to be met by these receipts, will be recorded "for evidence" in the estimated budget of the Zone

/for

APPENDIX 'C' (Continued)

for the first six months of 1949.

The total of such receipts and expenditures are expected to amount to approximately Lire 3.445.000.000 respectively.

The relative recording in the estimated budget will be effected simultaneously as and when the cash has been actually received.

3. The Italian Government will meet the Lire requirement specified under para 1. - (g) above, in accordance with the procedure set forth in paras 4. and 5., of part 1 of the agreement reached by the two Governments under date 22 September 1948.

4. The Zone Command undertakes to notify the Italian Government of any variations which may take place in the items of the budget for the period 1st January - 30th June 1949, and agrees to discuss such variations at the following Mixed Commission Meeting.

5. Should the Italian Government adopt any measures for the increase of salaries and other emoluments for statal employees, any difference between the increased expenditure and the increased revenue resulting from the adoption by the Zone of the corresponding fiscal legislation will be financed by the Italian Treasury.

Full information as to increased expenditures and increased revenues arising under this paragraph will be communicated immediately to the Italian Government by the Zone Command.

/APPENDIX 'D'

APPENDIX 'D'

BRITISH-UNITED STATES ZONE
BUDGETED EXPENDITURE AND REVENUE FOR
SECOND HALF OF 1948 AND FIRST HALF OF 1949

	Budget Appropriation <u>1.7.48 - 31.12.48</u>	Budget Appropriation <u>1.1.49 - 30.6.49</u>
<u>ORDINARY EXPENDITURE</u>		
Government Offices		
Police and Fire Services	3,882,286,000	3,602,975,000
Education	768,281,335	709,217,335
Monuments	11,583,000	10,610,000
Observatories	2,808,000	2,770,000
Law Courts	91,672,000	85,289,000
District Notarial Archives	964,000	919,000
Jails	114,145,000	106,150,000
Public and Port Services	1,559,979,000	1,345,758,000
Public Institutions	573,113,000	422,575,000
Local Bodies	1,105,058,000	935,731,157
Reserve Funds	150,000,000	325,000,000
	<hr/>	<hr/>
TOTAL	8,259,889,335	7,544,994,492
	<hr/>	<hr/>

EXTRAORDINARY EXPENDITURE

Sundry Repairs to and Equipment of Public Buildings	613,847,000	506,305,000
Public Works	3,453,705,000	3,275,895,000
Extraordinary allocation for completion of works in progress as at 15.9.47 and not completed within that date	---	---
Extraordinary allocation for the completion of roads commenced before 15.9.47 and not completed within that date	---	---
Special grant by Italian Government in aid of Shipbuilding	1,645,200,000	1,747,800,000
	<hr/>	<hr/>
TOTAL	5,712,752,000	5,530,000,000
	<hr/>	<hr/>

MOVEMENT OF CAPITAL

Sundry advances loans etc.	281,183,000	400,183,000
E.R.F.	4,418,007,000	3,445,400,000
	<hr/>	<hr/>
TOTAL	4,699,190,000	3,845,583,000
	<hr/>	<hr/>

SUMMARY OF EXPENDITURE

Ordinary Expenditure	8,259,889,335	7,544,994,492
Extraordinary Expenditure	5,712,752,000	5,530,000,000
Movement of Capital	4,699,190,000	3,845,583,000
	<hr/>	<hr/>
TOTAL	18,671,831,335	16,920,577,492

APPENDIX 'D' (Continued)

BRITISH-UNITED STATES ZONE
BUDGETED EXPENDITURE AND REVENUE FOR
SECOND HALF OF 1948 AND FIRST HALF OF 1949

	Estimated 1.7.48 - 31.12.48	Estimated 1.1.49 - 30.6.49
<u>ORDINARY REVENUE</u>		
Direct Taxes	342,466,000	259,820,000 +
Indirect Taxes	1,336,685,000	1,662,450,000
Tax on Manufactures		
Customs and indirect		
Consumer Taxes	2,487,319,500	2,723,800,000
Refunds & miscellaneous		
receipts from unexpended		
budgetary items	803,724,100	133,448,000 ++
Post & Telecoms	285,203,400	250,291,000 ++
State Monopolies	1,197,700,000	1,170,500,000 +++
Estimated Excess Receipts		
as calculated by Italian		
Government	546,902,000	---
TOTAL	7,000,000,000	6,200,309,000
<u>EXTRAORDINARY REVENUE</u>		
Landing Tax and Sundry		
Temporary Taxes	12,750,000	7,900,000
Sundries	2,000	10,410,000
TOTAL	12,752,000	18,310,000
<u>MOVEMENT OF CAPITAL</u>		
Recoveries from Sundry advances	110,183,000	515,183,000
Sale of M.R.P. Goods	1,620,500,000	3,445,400,000
TOTAL	1,730,683,000	3,960,583,000
<u>SUMMARY OF REVENUES</u>		
Ordinary Revenues	7,000,000,000	6,200,309,000
Extraordinary Revenue	12,752,000	18,310,000
Movement of Capital	1,730,683,000	3,960,583,000
TOTAL	8,743,435,000	10,179,202,000
<u>GRAND SUMMARY</u>		
TOTAL EXPENDITURES	18,671,831,335	16,920,577,492
TOTAL REVENUES	8,743,435,000	10,179,202,000
DEFICIT	9,928,396,335	6,741,375,492

- Beginning Jan 1949, these taxes will be collected every two months. Prior to 1 Jan, these taxes were collected every four months; therefore the 1948 figure represents eight months' taxes whereas 1949 figure represents six months.

++ Due to more accurate estimates of budgetary items for the first six months of 1949, this figure is less than the last six months of 1948.

+++ Estimated receipts from sale of tobacco and salt which are conservative

APPENDIX 'E'

British-United States Zone

Volume of Trade with value with
Yugoslavia and YMG Zone

(1 October - 31 December 1943)

<u>Description</u>	<u>Imports</u>		<u>Exports</u>	
	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
Food	1,017.1	52,385,260	16.2	4,284,971
Fruits and Vegetables	621.9	68,393,655	58.9	4,447,692
Wines and Liquors	395.5	24,732,805	0.3	72,800
Constructional Material	4,378.9	91,698,265	50.7	11,107,883
Fuel (Coal and Wood)	11,475.3	71,653,344	500.0	5,893,753
Fuel (Petroleum Products)	-	-	7,555.6	203,505,170
Raw Materials	3.4	719,500	12.7	3,119,492
Livestock and Feed	5.6	820,000	-	-
Manufactured Goods and Machinery	9.3	2,010,000	101.9	134,451,462
Miscellaneous	6.0	3,956,522	7.7	12,448,761
Total	18,113.0	316,369,351	8,504.0	364,331,924

APPENDIX 'E' (Continued)

British-United States Zone

Volume of Trade with value with
All Countries except Austria,
Yugoslavia, Yugoslav Zone, Swit-
zerland and Italy,

(1 October - 31 December 1948)

(Figures for Italy cannot be shown as detailed statistics are not kept as there are no customs barriers).

<u>Description.</u>	<u>Imports</u>		<u>Exports</u>	
	<u>Quantity</u> (tons)	<u>Value</u> (Lire)	<u>Quantity</u> (tons)	<u>Value</u> (Lire)
Food	15,241.8	1,077,867,915	0.4	315,975
Fruits and Vegetables	179.4	11,917,379	313.1	92,107,779
Wines and Liquors	4.8	2,538,321	71.7	16,119,522
Constructional Material	55.1	8,713,817	760.0	130,773,895
Fuel (Coal and Wood)	49,676.3	459,519,108	—	—
Fuel (Petroleum Products)	137,842.3	1,813,924,278	3.6	497,293
Raw Materials	9,213.1	264,834,035	71.1	158,960,266
Livestock and Feed	1,622.3	77,437,210	—	5,000
Manufactured Goods and Machinery	437.6	58,334,536	8,169.6	1,358,817,660
Miscellaneous	241.0	34,922,092	23.3	45,078,958
Total	214 513.7	3,810,008,691	9,406.8	1,802,679,348

APPENDIX 'E' (Continued)

British-United States Zone
Volume of Trade with value with
Switzerland
(1 October - 31 December 1948)

<u>Description</u>	<u>Imports</u>		<u>Exports</u>	
	<u>Quantity</u> (tons)	<u>Value</u> (Lire)	<u>Quantity</u> (tons)	<u>Value</u> (Lire)
Food +	72.4	150,412,017	--	--
Fruits and Vegetables	3.8	1,442,100	31.7	2,846,250
Wines and Liquors	--	--	98.8	10,660,690
Constructional Material	--	--	--	--
Fuel (Coal and Wood)	--	--	60.8	860,656
Fuel (Petroleum Products)	--	--	1,149.8	35,641,963
Raw Materials	--	--	--	--
Livestock and Feed	--	--	--	--
Manufactured Goods and Machinery	--	--	16.9	11,226,597
Miscellaneous	3.1	86,550	--	135,000
Total	79.3	151,940,667	1,358.0	61,371,156

(+) Inclusive of 63.0 M.T. for an amount of 148,406,645 lire of tobacco.

APPENDIX 'E' (Continued)

British-United States Zone
Volume of Trade with value with
Austria
(1 October - 31 December 1943)

<u>Description</u>	<u>Imports</u>		<u>Exports</u>	
	<u>Quantity</u> (tons)	<u>Value</u> (Lire)	<u>Quantity</u> (tons)	<u>Value</u> (Lire)
Food	--	--	10.0	4,852,425
Fruits and Vegetables	--	--	196.0	13,541,320
Wines and Liquors	--	--	--	--
Constructional Material	1,886.6	56,299,736	40.0	1,990,000
Fuel (Coal and Wood)	--	--	--	--
Fuel (Petroleum Products)	--	--	1,467.7	43,963,458
Raw Materials	0.2	140,000	6.6	3,744,634
Livestock and Feed	--	--	--	--
Manufactured Goods and Machinery	32.4	7,035,647	3.6	4,363,100
Miscellaneous	645.8	39,212,611	4.0	304,000
Total	2,565.0	102,687,994	1,727.9	72,758,937

Appendix 'F'

BRITISH-UNITED STATES ZONE

PUBLIC SERVICES PROJECTS WITH NUMBERS EMPLOYED

(1 October - 31 December 1948)

<u>Project</u>	<u>Monthly Average Employed</u>
Public Buildings	543
Labour School	1,614
House Construction and Repairs	1,544
Land Reclamation	96
Industrial Port & Associated projects	1,676
Harbour	101
Hydraulics : Aqueducts, Sewers, various	331
Tunnels	15
State Roads	696
Communal Roads	380
Provincial Roads	182
Fine Arts and Monuments	12
Reforestation	178
Ship Salvage	187
Total	<u>7,555</u>

APPENDIX 'C'

SHIPPING STATISTICS

OCTOBER-NOVEMBER-DECEMBER 1948

CARGO (Tons)

	Gross No of Regist. Ships Tonnage		British Military Supplies (Trieste - Austria	U.S. Supplies (Civil and Military) Trieste - Austria	Civil Cargo	TOTAL of Cargo	PASSENGERS
Ships of 200 tons and less	arr. 2580	109.126	---	---	15.782	15.782	337.264
	sailed 2578	107.697	---	---	1.840	1.840	343.962
Ships of over 200 tons	arr. 177	472.025	---	---	105.922	297.308	35
	sailed 176	458.733	---	---	137.452	137.452	30
Tankers of 200 t. and less	arr. 93	9.499	---	---	---	---	---
	sailed 87	8.913	---	---	18.278	18.278	---
Tankers of over 200 tons	arr. 63	122.732	---	---	245.455	245.455	---
	sailed 62	161.514	---	---	52.503	52.503	---
Fishing Boats	---	---	---	---	392	392	---
*Value in Lire 88,000,000							
<hr/>							
ARR. 2513	743.382	1.140	---	9.943	182.583	367.551	558.937
SAILLED 2903	736.857	---	---	---	210.073	210.073	348.992
TOTAL							

APPENDIX 'H'

BRITISH/UNITED STATES ZONE
EMPLOYMENT - UNEMPLOYMENT SITUATION

SECTOR OF ACTIVITY	OCTOBER 1948		NOVEMBER 1948		DECEMBER 1948	
	EMPLOYED	UNEMPLOYED	EMPLOYED	UNEMPLOYED	EMPLOYED	UNEMPLOYED
INDUSTRY	32,598	11,958	32,076	11,463	31,625	11,292
COMMERCE	12,872	7,225	12,774	6,776	12,620	6,527
CREDIT & INSURANCE	2,537	161	2,538	147	2,475	143
AGRICULTURE	6,247	84	6,240	81	6,260	81
PUBLIC EMPLOYMENT	22,170	906	22,161	799	22,227	762
MARITIME	3,677	1,690	3,793	1,549	4,350	1,484
ALLIED FORCES	5,195	---	5,449	---	5,408	---
PUBLIC WORKS	7,197	---	7,843	---	6,868	---
TOTALS	92,493	22,024	92,874	20,815	91,833	20,295

APPENDIX 'I'

TABLE OF INFECTIOUS DISEASE INCIDENCE

BRITISH/UNITED STATES ZONE

1 October - 31 December 1948

Measles	17
Scarlet fever	124
Chicken pox	51
Typhoid	29
Paratyphoid	7
Diphtheria	31
Whooping cough	9
Mumps	8
Tuberculosis	129
Cerebrospinal meningitis	3
Acute poliomyelitis	4
Malaria	1
Undulant fever	1

/APPENDIX 'J'

APPENDIX 'J'

BRITISH-UNITED STATES ZONE
INFORMATION REGARDING WELFARE RELIEF AND REFUGEES, DISPLACED
PERSONS AND OPTees FOR ITALIAN NATIONALITY

(1 October to 31 December 1948)

1. Welfare Relief.

(a) Public Assistance

Monetary Grants.....	12,246 households
Free meals.....	491,910 meals
Institutional relief.....	6,613 persons
Special relief to bombed out families	679 families

(b) Distribution of comforts

Clothing.....	1,412 articles
Footwear (pair).....	449
Mattresses.....	60
Blankets.....	90
Beds.....	42

(c) Maternity-Child Welfare

Number of mothers assisted.....	175
Number of children assisted.....	2,442
Number of children maintained either permanently or in daily creches.....	518
Grants to war orphans.....	177
Number of war orphans in schools.....	236

/2. Displaced

APPENDIX 'J' (Continued)

2. Displaced Persons, Refugees and Optees

(a) Refugee movement through Trieste Refugee Centre

(1) To Italy from Yugoslavia

Italians	21
Yugoslavs	146
Hungarians	2
Czechs	2
Lithuanian	1
Russian	1
Rumanian	<u>1</u>
	174

(11) To Yugoslavia from Italy

Yugoslavs	12
---------------------	----

(b) Optees for Italian citizenship passing through the British-U.S. Zone en route from Yugoslavia

October	2420
November	1185
December	<u>1056</u>
	4661

(c) No. of persons screened, found eligible and offered emigration under International Refugee Organization (IRO) auspices 1181 *

No. of persons accepting emigration and sent forward to IRO Italy	381 *
---	-------

* Mostly persons living out of camp and earning their own livings.

RAILWAY LOADINGS EX TRIESTE
(1 October - 31 December 1948)

(Expressed in terms of wagons)

<u>MONTH</u>	<u>ITALY</u>	<u>AUSTRIA</u>	<u>CZECHOSLOVAKIA</u>	<u>HUNGARY</u>	<u>YUGOSLAVIA</u>	<u>SWITZERLAND</u>	<u>FRANCE</u>	<u>POLAND</u>	<u>TOTALS</u>
OCT	1,624	4,602	1,239	67	573	187	2	-	8,294
NOV	1,348	6,068	665	33	986	140	-	-	9,240
DEC	1,447	3,172	1,264	83	562	165	1	-	6,694
TOTALS	4,419	13,842	3,168	183	2,121	492	3	-	24,228

RAILWAY LOADINGS INTO TRIESTE
(1 October - 31 December 1948)

(Expressed in terms of wagons)

<u>MONTH</u>	<u>ITALY</u>	<u>AUSTRIA</u>	<u>CZECHOSLOVAKIA</u>	<u>HUNGARY</u>	<u>YUGOSLAVIA</u>	<u>SWITZERLAND</u>	<u>FRANCE</u>	<u>POLAND</u>	<u>TOTALS</u>
OCT	1,462	1,194	432	16	1,041	13	3	-	4,161
NOV	1,293	994	344	19	1,070	5	7	-	3,732
DEC	1,376	2,165	549	27	1,154	11	7	-	5,289
TOTALS	4,131	4,353	1,325	62	3,265	29	17	-	13,182