

United Nations

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**SECURITY
COUNCIL**

**CONSEIL
DE SECURITE**

S/224/Rev.1
31 December 1946

ORIGINAL: ENGLISH

LETTER FROM THE CHAIRMAN OF THE COUNCIL OF FOREIGN MINISTERS
TO THE SECRETARY-GENERAL, DATED 12 DECEMBER 1946,
RECEIVED 20 DECEMBER 1946

New York, December 12, 1946

Excellency:

The Representatives of the United States of America, of France, of the United Kingdom and of the Union of Soviet Republics meeting as the Council of Foreign Ministers in New York have prepared a Peace Treaty with Italy which shall come into force when ratified by the Four Powers in question.

The Treaty establishes a Free Territory of Trieste whose independence and integrity would be ensured by the Security-Council of the United Nations. The Permanent Statute and the Provisional Statute of the Territory appear as an Annex to the Treaty, as does likewise an Instrument on the Free Port of Trieste.

So as to permit the Security Council to study the texts in question, I have the honor to transmit to you the relevant Articles and Annexes of the Draft Peace Treaty with Italy (Articles relative to the boundaries between Italy and the Free Territory of Trieste, the boundaries between the Free Territory and Yugoslavia, the work of the Boundary Commission, the general principles concerning the Statute of the Free Territory; annexes concerning the regime of the property and interests transferred to the Free Territory, the technical guarantees given the Free Territory and the Permanent Statute of the Free Territory, the Provisional Regime of this Territory and the regime of the Free Port), and to inform you that the Ministers of Foreign Affairs have instituted a committee which will hold itself at the disposal

NOTE: This document was first issued on 23 December 1946 as S/224 and given only restricted distribution.

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of the Security Council for the purpose of furnishing it with all necessary information concerning the Free Territory, its Statute and the provisions concerning the Free Port of Trieste.

The Ministers of Foreign Affairs of the United States of America, of France, of the United Kingdom and of the Union of Soviet Socialist Republics are desirous that the texts submitted on the terms of the Treaty for approval by the Security Council be decided on by the latter before January 15 as the signing of the Treaty of Peace with Italy is to occur at the beginning of February.

Respectfully yours,

(Signed) James F. Byrnes

James F. Byrnes
Chairman

His Excellency
Trygve Lie,
Secretary-General of the United Nations

Enclosures:

1. Description of Frontiers, with map;*
2. General Provisions Concerning the Status of the Free Territory of Trieste;
3. Property and Debt Provisions Relating to the Free Territory of Trieste;
4. Technical Guarantees;
5. Instrument for the Provisional Regime of the Free Territory of Trieste;
6. Permanent Statute for the Free Territory of Trieste;
7. Instrument for the Free Port of Trieste.

*NOTE: Map given limited distribution.

PEACE TREATY WITH ITALY

ARTICLE _____

(Description of Frontier between Italy and the
Free Territory of Trieste)

Reference: US-GSGS Series 4164 map 1:100,000 sheet nos.

40A, 26, 14A, 14, 25, 40.

The frontier between Italy and the Free Territory of Trieste shall be fixed as follows:

The line starts from a point on the boundary between the Italian provinces of Gorizia and Trieste approximately 2 kilometers northeast of the village of San Giovanni and approximately 0.5 kilometer northwest of point 208, and runs southwestward to a point adjacent to Highway No. 14 and approximately 1 kilometer northwest of the junction between Highways Nos. 55 and 14, respectively running from Gorizia and Monfalcone to Trieste;

The line then extends in a southerly direction to a point, in the Gulf of Penzano, equidistant from Punta Sdobba at the mouth of the Isonzo River and Castello Vecchio at Duino, about 3.3 kilometers south from the point where it departs from the coastline approximately 2 kilometers west of the town of Duino;

The line then reaches the high seas by following a line placed equidistant from the coastlines of Italy and the Free Territory of Trieste.

ARTICLE _____

(Description of Frontier between Yugoslavia and the
Free Territory of Trieste.)

Reference: US-GSGS Series 4164 map 1:100,000 sheet nos.

40A, 26, 14A, 14, 25, 40.

The frontier between Yugoslavia and the Free Territory of Trieste shall be fixed as follows:

The frontier starts from a point situated on the administrative boundary separating the Italian provinces of Gorizia and Trieste,

/approximately

approximately 2 kilometers to the northeast of the village of San Giovanni and approximately 0.5 kilometer northwest of point 208 and which is the point of junction of the frontiers of Yugoslavia, Italy, and the Free Territory of Trieste, and follows this administrative boundary as far as Monte Lanaro (546 m.); thence it extends southeastward as far as Monte Cocusso (572) through points 461, 475 (Meducia), 476 (Monte Dei Pini) and 407, crossing road No. 58, from Trieste to Sesana, about 3.3 kilometers to the southwest of this town, and leaving the villages of Vogliano and Orle to the east, and at approximately 0.4 kilometer to the west, the village of Zolla; from Monte Cocusso, the line continuing southeastward leaving the village of Grozzana to the west, reaches Monte Goli (point 621), then turning southwestward, crosses the road from Trieste to Cosina at point 455 and the railway at point 485, passes by points 416 and 326, leaving the villages of Beca and Castel in Yugoslav territory, crosses the road from Osopo to Gaborvizza d'Istria about 100 meters to the southeast of Osopo; then crosses the Risana and the road from Villa Decani to Risano at a point about 350 meters west of the latter village, the village of Rosario and the road from Risano to San Sergio being left in Yugoslav territory; from this point the line proceeds as far as the cross roads situated about 1 kilometer northeastward of point 362, passing by points 285 and 354.

Thence, the line runs as far as a point about 0.5 kilometer east of the village of Cernova, crossing the river Dragogna about 1 kilometer north of this village, leaving the villages of Bucciai and Truscolo to the west and the village of Tersecco to the east, it then runs southwestward to the southeast of the road connecting the villages of Cernova and Chervoi, leaving this road 0.8 kilometer to the east of the village of Cucciani; it then runs in a general south-southwesterly direction, passing about 0.4 kilometer east of

Monte Braico and at about 0.4 kilometer west of the village of Sterna Filaria, leaving the road running from this village to Piemonte to the east passing about 0.4 kilometer west of the town of Piemonte and about 0.5 kilometer east of the town of Castagna and reaching the river Quieto at a point approximately 1.6 kilometer southwest of the town of Castagna.

Thence the line follows the main and improved channel of the Quieto to its mouth, passing through Porto del Quieto to the high seas by following a line placed equidistant from the coastlines of the Free Territory of Trieste and Yugoslavia.

ANNEX

ARTICLE _____

(Work of the Boundary Commission)

The exact line of the new frontiers laid down in Articles _____ and _____ of the present Treaty shall be determined on the spot by Boundary Commissions composed of the representatives of the two Governments concerned.

The Commissions shall begin their work immediately on the coming into force of the present Treaty, and shall complete it as soon as possible and in any case within a period of six months.

Any questions which the Commissions are unable to agree upon will be referred to the four Ambassadors, acting as provided in Article _____, for final settlement by such methods as they may determine, including, where necessary, the appointment of an impartial third Commissioner.

The expenses of the Boundary Commissions will be borne in equal parts by the two Governments concerned.

For the purpose of determining on the spot the exact frontier laid down in Articles _____ and _____, the Commissioners shall be allowed to depart by 0,5 kilometer from the line laid down in the present Treaty in order to adjust the boundary to local geographical and economic

/conditions,

conditions, provided that no village or town of more than 500 inhabitants, no important railroads or highways, and no major power or water supplies are placed under a sovereignty other than that resulting from the delimitations laid down in the present Treaty.

DRAFT ARTICLE _____

General Provisions Concerning the Status
of the Free Territory of Trieste

1. There is hereby constituted the Free Territory of Trieste consisting of the area lying between the Adriatic Sea and the boundaries defined in Articles ___ and ___ of the present Treaty. The Free Territory of Trieste is recognized by the Allied and Associated Powers and by Italy, which agree that its integrity and independence shall be assured by the Security Council of the United Nations.
2. Italian sovereignty over the area constituting the Free Territory of Trieste, as above defined, shall be terminated upon the coming into force of the present Treaty.
3. On the renunciation of Italian sovereignty, the Free Territory of Trieste shall be governed in accordance with an instrument for a provisional regime drafted by the Council of Foreign Ministers and approved by the Security Council. This instrument shall remain in force until such date as the Security Council shall fix for the coming into force of the Permanent Statute which shall have been approved by it. The Free Territory shall thenceforth be governed by the provisions of such Permanent Statute. The texts of the Permanent Statute and of the Instrument for the Provisional Regime are contained in Annexes ___ and ___.
4. The Free Territory of Trieste shall not be considered as ceded territory within the meaning of Article ___ and Annex ___ of the present Treaty.
5. Italy and Yugoslavia undertake to give to the Free Territory of Trieste the guarantees set out in Annex ___.

PROPERTY AND DEBT PROVISIONS
RELATING TO THE FREE TERRITORY OF TRIESTE

1. The Free Territory of Trieste shall receive, without payment, Italian State and para-statal property within the Free Territory.

The following are considered as State or para-statal property for the purposes of this Annex; movable and immovable property of the Italian State, of local authorities and of public institutions and publicly owned companies and associations, as well as movable and immovable property formerly belonging to the Fascist Party or its auxiliary organizations.

2. All transfers of Italian State and para-statal property as defined in paragraph 1 above after September 3, 1943, shall be deemed null and void. The foregoing provisions shall not, however, extend to lawful acts relating to current operations of State and para-statal agencies in so far as they concern the sale, within normal limits, of goods ordinarily produced by them or sold in the execution of normal commercial arrangements or in the normal course of governmental administrative activities.

3. Submarine cables owned by the Italian State or para-statal organizations shall fall within the provisions of paragraph 1 so far as concerns terminal facilities and the lengths of cables lying within territorial waters of the Free Territory of Trieste.

4. The Free Territory of Trieste shall receive from Italy all relevant archives and documents of an administrative character or historical value concerning the Free Territory or relating to property transferred under paragraph 1 of this Annex. The Free Territory shall hand over to Yugoslavia all documents of the same character relating to territory ceded to Yugoslavia under the present Treaty and to Italy all documents of the same character which may be in the Free Territory concerning Italian territory.

Yugoslavia declares herself ready to hand over to the Free Territory all archives and documents of an administrative character concerning and required exclusively for the administration of the Free Territory, which are of a kind which were usually held before September 3, 1943 by the

/local

local authorities having jurisdiction over what now forms part of the Free Territory of Trieste.

5. The government of the Free Territory of Trieste shall be exempt from the payment of the Italian public debt; but it will assume the obligations of the Italian Government towards holders who continue to reside in the Free Territory, or who, being juridical persons, retain their siege social or principal place of business there, in so far as these obligations correspond to that portion of this debt which has been issued prior to June 10, 1940, and is attributable to public works and civil administrative services of benefit to the said territory and not attributable directly or indirectly to military purposes.

Full proof of the source of such holdings may be required from the holders.

Italy and the Free Territory shall conclude arrangements to determine the portion of the Italian public debt referred to in this paragraph and the methods for giving effect to these provisions.

6. The future status of external obligations secured by charges upon the property or revenues of Trieste shall be governed by further agreements between the parties concerned.

7. Special arrangements shall be concluded between Italy and the Free Territory of Trieste to govern the conditions under which the obligations of Italian public or private social insurance organizations towards the inhabitants of the Free Territory and a proportionate part of the reserves accumulated by the said organizations shall be transferred to similar organizations of the Free Territory.

Similar arrangements shall also be concluded between the Free Territory and Italy and between the Free Territory and Yugoslavia to govern the obligations of Public and private social insurance organizations, whose siege social is in the Free Territory, with regard to policy holders or subscribers residing respectively in Italy or in territory ceded to

/Yugoslavia

Yugoslavia under the present Treaty.

Similar arrangements shall also be concluded between the Free Territory and Yugoslavia to govern the obligations of public and private social insurance organizations, whose siege social is in territory ceded to Yugoslavia under the present Treaty, with regard to policy holders or subscribers residing in the Free Territory.

8. Italy shall continue to be liable for the payment of civil or military pensions earned for service under the Italian State, municipal or other local government authorities as on the date of the coming into force of the present Treaty, by persons who under the Treaty acquire the nationality of the Free Territory of Trieste, including pension rights not yet matured. Arrangements shall be concluded between Italy and the Free Territory providing for the method by which this liability shall be discharged.

9. The property, rights and interests of Italian nationals who became domiciled in the Free Territory of Trieste after June 10, 1940 and of persons who opt for Italian citizenship pursuant to the Statute for the Free Territory of Trieste shall, provided they have been lawfully acquired, be respected in the same measure as the property, rights and interests of nationals of the Free Territory generally for a period of three years from the coming into force of the Treaty.

The property, rights and interests within the Free Territory of other Italian nationals and also of Italian juridical persons, provided they have been lawfully acquired, shall be subject only to such legislation as may be enforced from time to time regarding the property of foreign nationals and juridical persons generally.

10. Persons who opt for Italian nationality and move to Italy shall be permitted, after the settlement of any debts or taxes due from them in the Free Territory of Trieste, to take with them their movable property and transfer their funds, provided such property and funds were lawfully

/acquired.

acquired. No export or import duties will be imposed in connection with the moving of such property. Further they shall be permitted to sell their movable and immovable property under the same conditions as nationals of the Free Territory.

The removal of property to Italy will be effected under conditions which will not be in contradiction to the Constitution of the Free Territory and in a manner which will be agreed upon between Italy and the Free Territory. The conditions and the time-periods of the transfer of the funds, including the proceeds of sales, shall be determined in the same manner.

11. The property, rights and interests of former Italian nationals, resident in the Free Territory of Trieste, who become nationals of the Free Territory under the present Treaty, which exist in Italy at the time of the coming into force of the present Treaty, shall be respected by Italy in the same measure as the property, rights and interests of Italian nationals generally for a period of three years from the coming into force of the Treaty.

Such persons are authorized to effect the transfer and the liquidation of their property, rights and interests under the same conditions as are provided for under paragraph 10 of this Annex.

12. Companies incorporated under Italian law and having siege social in the Free Territory of Trieste, which wish to remove siege social to Italy or Yugoslavia, shall likewise be dealt with under the provisions of paragraph 10 of this Annex, provided that more than fifty percent of the capital of the company is owned by persons usually resident outside the Free Territory, or by persons who have opted under the present Treaty to move to Italy or Yugoslavia.

13. Debts owed by persons in Italy or in territory ceded to Yugoslavia to persons in the Free Territory of Trieste or by persons in the Free Territory to persons in Italy or in territory ceded to Yugoslavia shall

/not be affected

not be affected by the cession. Italy, Yugoslavia and the Free Territory undertake to facilitate the settlement of such obligations. As used in this paragraph, the term "persons" includes juridical persons.

14. The property in the Free Territory of Trieste of the United Nations and their nationals, if not already freed from Italian measures of sequestration or control and returned to its owner, shall be returned in the condition in which it now exists.

15. Italy shall return property unlawfully removed after September 3, 1943 from the Free Territory of Trieste to Italy. Paragraphs 2, 3, 4, 5 and 6 of Article 65 shall govern the application of this obligation except as regards property provided for elsewhere in this Annex.

The provisions of paragraphs 1, 2, 5 and 6 of Article 65 shall apply to the restitution by the Free Territory of Trieste of property removed from United Nations' territories during the war.

16. Italy shall return to the Free Territory of Trieste in the shortest possible time any ships in Italian possession which were owned on September 3, 1943 by natural persons resident in the Free Territory who acquire the nationality of the Free Territory under the present Treaty or by Italian juridical persons having and retaining siege social in the Free Territory, except any ships which have been the subject of a bona fide sale.

17. Italy and the Free Territory of Trieste, and Yugoslavia and the Free Territory, shall conclude agreements providing for a just and equitable apportionment of the property of any existing local authority whose area is divided by any boundary settlement under the present Treaty, and for a continuance of necessary communal services to the inhabitants not specifically covered in other parts of the Treaty.

Similar agreements shall be concluded for a just and equitable allocation of rolling stock and railway equipment and of dock and harbour craft and equipment, as well as for any other outstanding economic matters not covered by the present Annex.

18. Citizens of the Free Territory of Trieste shall, notwithstanding the transfer and any change of nationality consequent thereon, continue to enjoy in Italy all the rights in industrial, literary and artistic property to which they were entitled under the legislation in force at the time of the transfer.

The Free Territory shall recognize and give effect to rights of industrial, literary and artistic property in force in the Free Territory under Italian law at the time of transfer or to be re-established or restored in accordance with Annex VIA of the present Treaty. These rights shall remain in force in the Free Territory for the same period as that for which they would have remained in force under the law of Italy.

19. Any dispute which may arise in giving effect to this Annex shall be dealt with in the same manner as provided in Article 72.

20. The provisions of paragraphs 1, 3 and 5 of Article 66; Article 67; paragraph 3 of Article 68; Article 70; Annex VI, Part A; Annex VII; and Annex VIII, Part B, shall apply to the Free Territory of Trieste in like manner as to Italy.

TECHNICAL GUARANTEES

A. Water Supply to Northwestern Istria, within the Free Territory of Trieste.

Yugoslavia shall continue to supply water to the region of northwestern Istria within the boundaries of the Free Territory of Trieste from the spring of San Giovanni de Pingvante through the Quieto water supply system (and from the spring of Santa Maria del Risano through the Risano system). The water so supplied shall be in such amounts, not substantially exceeding those amounts which have been customarily supplied to the region, and at such rates of flow, as the Free Territory of Trieste may request, but within limits imposed by natural conditions. Yugoslavia shall maintain the water conduits, reservoirs, pumps, purifying systems and such other works within Yugoslav territory as may be required to fulfill this obligation. Temporary allowance must be made in respect of the foregoing obligations on Yugoslavia for necessary repair of war damage to water supply installations. The Free Territory of Trieste shall pay a reasonable price for the water thus supplied, which price shall represent a proportionate share, based on the quantity of water consumed within the Free Territory, of the total cost of operation and maintenance of the Quieto (and the Risano) water supply system(s). Should in the future, additional supplies of water be required by the Free Territory of Trieste, Yugoslavia undertakes to examine the matter jointly with the authorities of the Free Territory and by agreement to take such measures as are reasonable to meet those requirements.

B. Electricity Supplies under the new Italian-Yugoslav-Free Territory of Trieste Frontier.

1. Yugoslavia and Italy shall maintain the existing supply of electricity to the Free Territory of Trieste, furnishing to the Free Territory such quantities of electricity at such rates of output as the latter may require. The quantities furnished need not at first substantially exceed those which have been customarily supplied to the

/area

area comprised in the Free Territory, but Italy and Yugoslavia shall, on request of the Free Territory, furnish increasing amounts as the requirements of the Free Territory grow provided that any increase of more than twenty percent over the amount normally furnished to the Free Territory from the respective sources shall be the subject of an agreement between the interested governments.

2. The price to be charged by Yugoslavia or by Italy and to be paid by the Free Territory of Trieste for the electricity furnished to it shall be no higher than the price charged in Yugoslavia or in Italy for the supply of similar quantities of hydroelectricity from the same sources in Yugoslavia or Italian territory.

3. Yugoslavia, Italy and the Free Territory of Trieste shall exchange information continuously concerning the flow and storage of water and the output of electricity in respect to stations supplying the former Italian compartimento of Venezia Giulia so that each of the three parties will be in a position to determine its requirements.

4. Yugoslavia, Italy, and the Free Territory of Trieste shall maintain in good and substantial condition all of the electrical plants, transmission lines, substations and other installations which are required for the continued supply of electricity to the former Italian compartimento of Venezia Giulia.

5. Yugoslavia shall ensure that the existing and any future power installations on the Isonzo are operated so as to provide that such supplies of water as Italy may from time to time request may be diverted from the Isonzo for irrigation in the region from Gorizia southwestward to the Adriatic. Italy may not claim the right to the use of water from the Soca (Isonzo) in greater volume or under more favorable conditions than has been customary in the past.

6. Yugoslavia, Italy and the Free Territory of Trieste shall through joint negotiation, adopt a mutually agreeable convention in conformity

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with the foregoing provisions for the continuing operation of the electricity system which serves the former Italian compartments of Venezia Giulia. A mixed commission with equal representation of the three governments shall be established for supervising the execution of the obligations arising under paragraph 1 to 5 of this section.

7. Upon the expiration of a ten year period after the coming into force of the present Treaty, Yugoslavia Italy and the Free Territory of Trieste shall re-examine the foregoing provisions in the light of conditions at that time in order to determine which, if any of the foregoing obligations are no longer required, and shall make such alterations, deletions and additions as may be agreed upon by the parties concerned. Any disputes which may arise as a result of this re-examination shall be submitted for settlement under the procedure outlined in Article 76 of the present Treaty.

C. Provisions to Facilitate Local Trade Between the Free Territory of Trieste and Yugoslavia and Between the Free Territory of Trieste and Italy.

Yugoslavia and the Free Territory of Trieste, and Italy and the Free Territory of Trieste, shall, within one month of the coming into force of the present treaty, undertake negotiations to provide arrangements which shall facilitate the movement across the frontiers between the Free Territory of Trieste and the adjacent areas of Yugoslavia and Italy of foodstuffs and other categories of commodities which have customarily moved between those areas in local trade provided these commodities are grown, produced or manufactured in the respective territories. This movement may be facilitated by appropriate measures, including the exemption of such commodities, up to agreed quantities or values, from tariffs, customs charges, and export or import taxes of any kind when such commodities are moving in local trade.

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INSTRUMENT FOR THE PROVISIONAL REGIME
OF THE FREE TERRITORY OF TRIESTE

The present provisions shall apply to the administration of the Free Territory of Trieste pending the entry into force of the Permanent Statute.

ARTICLE 1

The Governor shall assume office in the Free Territory at the earliest possible moment after the entry into force of the present Peace Treaty. Pending assumption of office by the Governor, the Free Territory shall continue to be administered by the Allied military commands within their respective zones.

ARTICLE 2

On assuming office in the Free Territory of Trieste the Governor shall be empowered to select from among persons domiciled in the Free Territory and after consultation with the Governments of Yugoslavia and Italy a Provisional Council of Government. The Governor shall have the right to make changes in the composition of the Provisional Council of Government whenever he deems it necessary. The Governor and the Provisional Council of Government shall exercise their functions in the manner laid down in the provisions of the Permanent Statute as and when these provisions prove to be applicable and insofar as they are not superseded by the present Instrument. Likewise all other provisions of the Permanent Statute shall be applicable during the period of the Provisional Regime as and when these provisions prove to be applicable and insofar as they are not superseded by the present Instrument. The Governor's actions will be guided mainly by the needs of the population and its well being.

ARTICLE 3

The seat of Government will be established in Trieste. The Governor will address his reports directly to the Chairman of the Security Council and will, through that channel, supply the Security Council with all necessary information on the administration of the Free Territory.

ARTICLE 4

The first concern of the Governor shall be to ensure the maintenance of public order and security. He shall appoint on a provisional basis a Director of Public Security, who will reorganize and administer the police force and security services.

ARTICLE 5

(a) From the date of the coming into force of the present Treaty, troops stationed in the Free Territory shall not exceed 5,000 men for the United Kingdom, 5,000 men for the United States and 5,000 men for Yugoslavia.

(b) These troops shall be placed at the disposal of the Governor for a period of 90 days after his assumption of office in the Free Territory. As from the end of that period, they will cease to be at the disposal of the Governor and will be withdrawn from the Territory within a further period of 45 days, unless the Governor advises the Security Council that, in the interests of the Territory, some or all of them should not, in his view, be withdrawn. In the latter event, the troops required by the Governor shall remain until not later than 45 days after the Governor has advised the Security Council that the security services can maintain internal order in the Territory without the assistance of foreign troops.

(c) The withdrawal prescribed in paragraph (b) shall be carried out so as to maintain, insofar as possible, the ratio prescribed in paragraph (a) between the troops of the three Powers concerned.

ARTICLE 6

The Governor shall have the right at any time to call upon the Commanders of such contingents for support and such support shall be given promptly. The Governor shall, whenever possible, consult with the Military Commanders concerned before issuing his instructions but shall not interfere with the military handling of the forces in the discharge of his instructions. Each Commander has the right to report

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to his Government the instructions which he has received from the Governor, informing the Governor of the contents of such reports. The Government concerned shall have the right to refuse the participation of its forces in the operation in question, informing the Security Council accordingly.

ARTICLE 7

The necessary arrangements relating to the stationing, administration and supply of the military contingents made available by the United Kingdom, United States of America and Yugoslavia shall be settled by agreement between the Governor and the Commanders of those contingents.

ARTICLE 8

The Governor, in consultation with the Provisional Council of Government, shall be responsible for organizing the elections of Members of the Constituent Assembly in accordance with the conditions provided for in the Statute for elections to the popular Assembly.

The elections shall be held not later than four months after the Governor's assumption of office. In case this is technically impossible the Governor shall report to the Security Council.

ARTICLE 9

The Governor will, in consultation with the Provisional Council of Government, prepare the provisional budget and the provisional export and import programmes and will satisfy himself that appropriate arrangements are made by the Provisional Council of Government for the administration of the finances of the Free Territory.

ARTICLE 10

Existing laws and regulations shall remain valid unless and until revoked or suspended by the Governor. The Governor shall have the right to amend existing laws and regulations and to introduce new laws and regulations in agreement with the majority of the Provisional Council of Government. Such amended and new laws and regulations, as well as the

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acts of the Governor in regard to the revocation or suspension of laws and regulations shall be valid unless and until they are amended, revoked or superseded by acts of the Popular Assembly or the Council of Government within their respective spheres after the entry into force of the Constitution.

ARTICLE 11

Pending the establishment of a separate currency regime for the Free Territory the Italian lira shall continue to be the legal tender within the Free Territory. The Italian Government shall supply the foreign exchange and currency needs of the Free Territory under conditions no less favorable than those applying in Italy.

Italy and the Free Territory shall enter into an agreement to give effect to the above provisions as well as to provide for any settlement between the two Governments which may be required.

ANNEX _____ *

PERMANENT STATUTE FOR THE
FREE TERRITORY OF TRIESTE

ARTICLE 1. AREA OF FREE TERRITORY

The area of the Free Territory of Trieste shall be the territory within the frontiers described in Articles 4 and 16 of the present Treaty as delimited in accordance with Article 5 of the Treaty.

ARTICLE 2. INTEGRITY AND INDEPENDENCE

The integrity and independence of the Free Territory shall be assured by the Security Council of the United Nations Organization. This responsibility implies that the Council shall:

- (a) ensure the observance of the present Statute and in particular the protection of the basic human rights of the inhabitants.
- (b) ensure the maintenance of public order and security in the free Territory.

ARTICLE 3. DEMILITARIZATION AND NEUTRALITY

1. The Free Territory shall be demilitarized and declared neutral.
2. No armed forces, except under direction of the Security Council, shall be allowed in the Free Territory.
3. No para-military formations, exercises or activities, shall be permitted within the Free Territory.
4. The Government of the Free Territory shall not make or discuss any military arrangements or undertakings with any State.*

ARTICLE 4. HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

The Constitution of the Free Territory shall ensure to all persons under the jurisdiction of the Free Territory, without distinction as to ethnic origin, sex, language or religion, the enjoyment of human rights and of the fundamental freedoms, including freedom of religious

*NOTE: The headings of the various Articles are included for convenience and will not necessarily be adopted in the final text of the Treaty.

worship, language, speech and publication, education, assembly and association. Citizens of the Free Territory shall be assured of equality of eligibility for public office.

ARTICLE 5. CIVIC AND POLITICAL RIGHTS

No person who has acquired the citizenship of the Free Territory shall be deprived of his civic or political rights except as judicial punishment for the infraction of the penal laws of the Free Territory.

ARTICLE 5. CITIZENSHIP

1. Italian citizens who were domiciled on June 10, 1940 in the area comprised within the boundaries of the Free Territory, and their children born after that date, shall become original citizens of the Free Territory with full civil and political rights. Upon becoming citizens of the Free Territory they shall lose their Italian citizenship.
2. The Government of the Free Territory shall, however, provide that the persons referred to in paragraph 1 over the age of eighteen years (or married persons whether under or over that age) whose customary language is Italian shall be entitled to opt for Italian citizenship within six months from the coming into force of the Constitution under conditions to be laid down therein. Any person so opting shall be considered to have re-acquired Italian citizenship. The option of the husband shall not constitute an option on the part of the wife. Option on the part of the father, or if the father is not alive, on the part of the mother, shall, however, automatically include all unmarried children under the age of eighteen years.
3. The Free Territory may require those who take advantage of the option to move to Italy within a year from the date on which the option was exercised.
4. The conditions for the acquisition of citizenship by persons not qualifying for original citizenship shall be determined by the Constituent Assembly of the Free Territory and embodied in the Constitution.

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Such conditions shall, however, exclude the acquisition of citizenship by members of the former Italian Fascist Police (O.V.R.A.) who have not been exonerated by the competent authorities, including the Allied Military Authorities who were responsible for the administration of the area.

ARTICLE 7. OFFICIAL LANGUAGES

The official languages of the Free Territory shall be Italian and Slovene. The Constitution shall determine in what circumstances Croat may be used as a third official language.

ARTICLE 8. FLAG AND COAT-OF-ARMS

The Free Territory shall have its own flag and coat-of-arms. The flag shall be the traditional flag of the City of Trieste and the arms shall be its historic coat-of-arms.

ARTICLE 9. ORGANS OF GOVERNMENT

For the government of the Free Territory there shall be a Governor, a Council of Government, a popular Assembly elected by the people of the Free Territory and a Judiciary, whose respective powers shall be exercised in accordance with the provisions of the present Statute and of the Constitution of the Free Territory.

ARTICLE 10. CONSTITUTION

1. The Constitution of the Free Territory shall be established in accordance with democratic principles and adopted by a Constituent Assembly with a two-thirds majority of the votes cast. The Constitution shall be made to conform to the provisions of the present Statute and shall not enter into force prior to the coming into force of the Statute.
2. If in the opinion of the Governor any provisions of the Constitution proposed by the Constituent Assembly or any subsequent amendments thereto are in contradiction to the Statute he may prevent their entry into force, subject to reference to the Security Council if the Assembly does not accept his views and recommendations.

/ARTICLE 11.

ARTICLE 11. APPOINTMENT OF GOVERNOR

1. The Governor shall be appointed by the Security Council after consultation with the Governments of Yugoslavia and Italy. He shall not be a citizen of Yugoslavia or Italy or of the Free Territory. He shall be appointed for five years and may be reappointed. His salary and allowances shall be borne by the United Nations.
2. The Governor may authorize a person selected by him to act for him in the event of his temporary absence or temporary inability to perform his duties.
3. The Security Council, if it considers that the Governor has failed to carry out his duties, may suspend him and, under appropriate safeguards of investigation and hearing, dismiss him from his office. In the event of his suspension or dismissal or in the event of his death or disability the Security Council may designate or appoint another person to act as Provisional Governor until the Governor recovers from his disability or a new Governor is appointed.

ARTICLE 12. LEGISLATIVE AUTHORITY

The legislative authority shall be exercised by a popular Assembly consisting of a single chamber elected on the basis of proportional representation, by the citizens of both sexes of the Free Territory. The elections for the Assembly shall be conducted on the basis of universal, equal, direct and secret suffrage.

ARTICLE 13. COUNCIL OF GOVERNMENT

1. Subject to the responsibilities vested in the Governor under the present Statute, executive authority in the Free Territory shall be exercised by a Council of Government which will be formed by the popular Assembly and will be responsible to the Assembly.
2. The Governor shall have the right to be present at all meetings of the Council of Government. He may express his views on all questions affecting his responsibilities.

3. When matters affecting their responsibilities are discussed by the Council of Government, the Director of Public Security and the Director of the Free Port shall be invited to attend meetings of the Council and to express their views.

ARTICLE 14. EXERCISE OF JUDICIAL AUTHORITY

The judicial authority in the Free Territory shall be exercised by tribunals established pursuant to the Constitution and laws of the Free Territory.

ARTICLE 15. FREEDOM AND INDEPENDENCE OF JUDICIARY

The Constitution of the Free Territory shall guarantee the complete freedom and independence of the judiciary and shall provide for appellate jurisdiction.

ARTICLE 16. APPOINTMENT OF JUDICIARY

1. The Governor shall appoint the judiciary from among candidates proposed by the Council of Government or from among other persons, after consultation with the Council of Government unless the Constitution provides for a different manner for filling judicial posts; and, subject to safeguards to be established by the Constitution, may remove members of the judiciary for conduct incompatible with their judicial office.
2. The popular Assembly, by a two-thirds majority of votes cast may request the Governor to investigate any charge brought against a member of the judiciary which, if proved, would warrant his suspension or removal.

ARTICLE 17. RESPONSIBILITY OF THE GOVERNOR
TO THE SECURITY COUNCIL

1. The Governor, as the representative of the Security Council, shall be responsible for supervising the observance of the present Statute including the protection of the basic human rights of the inhabitants and for ensuring that public order and security are maintained by the

/Government

Government of the Free Territory in accordance with the present Statute, the Constitution and laws of the Free Territory.

2. The Governor shall present to the Security Council, annual reports concerning the operation of the Statute and the performance of his duties.

ARTICLE 18. RIGHTS OF THE ASSEMBLY

The popular Assembly shall have the right to consider and discuss any matters affecting the interests of the Free Territory.

ARTICLE 19. ENACTMENT OF LEGISLATION

1. Legislation may be initiated by members of the popular Assembly and by the Council of Government as well as by the Governor in matters which in his view affect the responsibilities of the Security Council as defined in Article 2 of the present Statute.

2. No law shall enter into force until it shall have been promulgated. The promulgation of laws shall take place in accordance with the provisions of the Constitution of the Free Territory.

3. Before being promulgated legislation enacted by the Assembly shall be presented to the Governor.

4. If the Governor considers that such legislation is in contradiction to the present Statute, he may, within ten days following presentation of such legislation to him return it to the Assembly with his comments and recommendations. If the Governor does not return the legislation within such ten days or if he advises the Assembly within such period that it calls for no comments or recommendation on his part, the legislation shall be promulgated forthwith.

5. If the Assembly makes manifest its refusal to withdraw legislation returned to the Assembly by the Governor or to amend it in conformity with his comments or recommendations, the Governor shall, unless he is prepared to withdraw his comments or recommendations, in which case the law shall be promulgated forthwith, immediately report the matter to the

/Security

Security Council. The Governor shall likewise transmit without delay to the Security Council any communication which the Assembly may wish to make to the Council on the matter.

6. Legislation which forms the subject of a report to the Security Council under the provisions of the preceding paragraph shall only be promulgated by the direction of the Security Council.

ARTICLE 20. RIGHTS OF GOVERNOR WITH
RESPECT TO ADMINISTRATIVE MEASURES

1. The Governor may require the Council of Government to suspend administrative measures which in his view conflict with his responsibilities as defined in the present Statute (observance of the Statute; maintenance of public order and security; respect for human rights). Should the Council of Government object, the Governor may suspend these administrative measures and the Governor or the Council of Government may refer the whole question to the Security Council for decision.

2. In matters affecting his responsibilities as defined in the Statute the Governor may propose to the Council of Government the adoption of any administrative measures. Should the Council of Government not accept such proposals the Governor may, without prejudice to Article 22 of the present Statute, refer the matter to the Security Council for decision.

ARTICLE 21. BUDGET

1. The Council of Government shall be responsible for the preparation of the budget of the Free Territory, including both revenue and expenditure, and for its submission to the popular Assembly.

2. If the Assembly should fail to vote the budget within the proper time limit, the provisions of the budget for the preceding period shall be applied to the new budgetary period until such time as the new budget shall have been voted.

ARTICLE 22. SPECIAL POWERS OF GOVERNOR

1. In order that he may carry out his responsibilities to the Security

/Council

Council under the present Statute, the Governor may, in cases which in his opinion permit of no delay, threatening the independence or integrity of the Free Territory, public order or respect of human rights, directly order and require the execution of appropriate measures subject to an immediate report thereon being made by him to the Security Council. In such circumstances the Governor may himself assume, if he deems it necessary, control of the Security services.

2. The popular Assembly may petition the Security Council concerning any exercise by the Governor of his powers under paragraph 1 of this Article.

ARTICLE 23. POWER OF PARDON AND REPRIEVE

The power of pardon and reprieve shall be vested in the Governor and shall be exercised by him in accordance with provisions to be laid down in the Constitution.

ARTICLE 24. FOREIGN RELATIONS

1. The Governor shall ensure that the foreign relations of the Free Territory shall be conducted in conformity with the Statute, Constitution, and laws of the Free Territory. To this end the Governor shall have authority to prevent the entry into force of treaties or agreements affecting foreign relations which, in his judgment, conflict with the Statute, Constitution or laws of the Free Territory.

2. Treaties and agreements, as well as equatuars and consular commissions, shall be signed jointly by the Governor and a representative of the Council of Government.

3. The Free Territory may be or become a party to international conventions or become a member of international organizations provided the aim of such conventions or organizations is to settle economic, technical, cultural, social or health questions.

4. Economic union or associations of an exclusive character with any State are incompatible with the status of the Free Territory.

5. The Free Territory of Trieste shall recognize the full force of the

/Treaty

Treaty of Peace with Italy, and shall give effect to the applicable provisions of that Treaty. The Free Territory shall also recognize the full force of the other agreements or arrangements which have been or will be reached by the Allied and Associated Powers for the restoration of peace.

ARTICLE 25. INDEPENDENCE OF GOVERNOR AND STAFF

In the performance of their duties, the Governor and his staff shall not seek or receive instructions from any Government or from any other authority except the Security Council. They shall refrain from any act which might reflect on their position as international officials responsible only to the Security Council.

ARTICLE 26. APPOINTMENT AND REMOVAL OF ADMINISTRATIVE OFFICIALS

1. Appointments to public office in the Free Territory shall be made exclusively on the ground of ability, competence and integrity.
2. Administrative officials shall not be removed from office except for incompetence or misconduct and such removal shall be subject to appropriate safeguards of investigation and hearing to be established by law.

ARTICLE 27. DIRECTOR OF PUBLIC SECURITY

1. The Council of Government shall submit to the Governor a list of candidates for the post of Director of Public Security. The Governor shall appoint the Director from among the candidates presented to him, or from among other persons, after consultation with the Council of Government. He may also dismiss the Director of Public Security after consultation with the Council of Government.
2. The Director of Public Security shall not be a citizen of Yugoslavia or Italy.
3. The Director of Public Security shall normally be under the immediate authority of the Council of Government from which he will receive instructions on matters within his competence.
4. The Governor shall:
 - (a) receive regular reports from the Director of Public Security, and consult with him on any matters coming within the competence of the Director.

(b) be informed by the Council of Government of its instructions to the Director of Public Security and may express his opinion thereon.

ARTICLE 28. POLICE FORCE

1. In order to preserve public order and security in accordance with the Statute, the Constitution and the laws of the Free Territory, the Government of the Free Territory shall be empowered to maintain a police force and security services.
2. Members of the police force and security services shall be recruited by the Director of Public Security and shall be subject to dismissal by him.

ARTICLE 29 LOCAL GOVERNMENT

The Constitution of the Free Territory shall provide for the establishment on the basis of proportional representation of organs of local government on democratic principles, including universal, equal, direct and secret suffrage.

ARTICLE 30. MONETARY SYSTEM

The Free Territory shall have its own monetary system.

ARTICLE 31. RAILWAYS

Without prejudice to its proprietary rights over the railways within its boundaries and its control of the railway administration, the Free Territory may negotiate with Yugoslavia and Italy agreements for the purpose of ensuring the efficient and economical operation of its railways. Such agreements would determine where responsibility lies for the operation of the railways in the direction of Yugoslavia or Italy respectively and also for the operation of the railway terminal of Trieste and of that part of the line which is common to all. In the latter case such operation may be effected by a special commission comprised of representatives of the Free Territory, Yugoslavia and Italy under the chairmanship of the representative of the Free Territory.

/ARTICLE 32.

ARTICLE 32. COMMERCIAL AVIATION

1. Commercial aircraft registered in the territory of any one of the United Nations which grants on its territory the same rights to commercial aircraft registered in the Free Territory, shall be granted international commercial aviation rights, including the right to land for refueling and repairs, to fly over the Free Territory without landing and to use for traffic purposes such airports as may be designated by the competent authorities of the Free Territory.
2. These rights shall not be subject to any restrictions other than those imposed on a basis of non-discrimination by the laws and regulations in force in the Free Territory and in the countries concerned or resulting from the special character of the Free Territory as neutral and demilitarized.

ARTICLE 33. REGISTRATION OF VESSELS

1. The Free Territory is entitled to open registers for the registration of ships and vessels owned by the Government of the Free Territory or by persons or organizations domiciled within the Free Territory.
2. The Free Territory shall open special maritime registers for Czechoslovak and Swiss ships and vessels upon request of these Governments as well as for Hungarian and Austrian ships and vessels upon the request of these Governments after the conclusion of the Treaty of Peace with Hungary and the Treaty for the Re-establishment of the Independence of Austria respectively. Ships and vessels entered in these registers shall fly the flags of their respective countries.
3. In giving effect to the foregoing provisions, and subject to any international convention which may be entered into concerning these questions, with the participation of the Government of the Free Territory, the latter shall be entitled to impose such conditions governing the registration, retention on and removal from the registers as shall prevent any abuses arising from the facilities thus granted. In particular as regards ships and vessels registered under paragraph 1 above, registration shall be limited

/to ships

to ships and vessels controlled from the Free Territory and regularly serving the needs or the interests of the Free Territory. In the case of ships and vessels registered under paragraph 2 above, registration shall be limited to ships and vessels based on the Port of Trieste and regularly and permanently serving the needs of their respective countries through the Port of Trieste.

ARTICLE 34. FREE PORT

A free port shall be established in the Free Territory and shall be administered on the basis of the provisions of an international instrument drawn up by the Council of Foreign Ministers, approved by the Security Council, and annexed to the present Treaty. The Government of the Free Territory shall enact all necessary legislation and take all necessary steps to give effect to the provisions of such instrument.

ARTICLE 35. FREEDOM OF TRANSIT

Freedom of transit shall, in accordance with customary international agreements, be assured by the Free Territory and the States whose territories are traversed to goods transported by railroad between the Free Port and the States which it serves, without any discrimination and without customs duties or charges other than those levied for services rendered.

ARTICLE 36. INTERPRETATION OF STATUTE

Except where any other procedure is specifically provided under any Article of the present Statute, any dispute relating to the interpretation or execution of the Statute, not resolved by direct negotiations, shall, unless the parties mutually agree upon another means of settlement, be referred at the request of either party to the dispute to a Commission composed of one representative of each party and a third member selected by mutual agreement of the two parties from nationals of third countries. Should the two parties fail to agree within a period of one month upon the appointment of the third member, the Secretary-General of the United Nations shall be requested to make the appointment. The decision of the majority

of the members of the Commission shall be the decision of the Commission, and shall be accepted by the parties as definitive and binding.

ARTICLE 37. AMENDMENT OF STATUTE

This Statute shall constitute the permanent Statute of the Free Territory, subject to any amendment which may hereafter be made by the Security Council. Petitions for the amendment of the Statute may be presented to the Security Council by the popular Assembly upon a vote taken by a two-thirds majority of the votes cast.

ARTICLE 38. COMING INTO FORCE OF STATUTE

The present Statute shall come into force on a date which shall be determined by the Security Council of the United Nations.

INSTRUMENT FOR THE FREE PORT OF TRIESTE

ARTICLE 1

1. In order to ensure that the port and transit facilities of Trieste will be available for use on equal terms by all international trade and by Yugoslavia, Italy and the States of Central Europe, in such manner as is customary in other free ports of the world:

(a) There shall be a customs free port in the Free Territory of Trieste within the limits provided for by or established in accordance with Article 3 of the present Instrument.

(b) Goods passing through the Free Port of Trieste shall enjoy freedom of transit as stipulated in Article 16 of the present Instrument.

2. The international regime of the Free Port shall be governed by the provisions of the present Instrument.

ARTICLE 2

1. The Free Port shall be established and administered as a State corporation of the Free Territory, having all the attributes of a juridical person and functioning in accordance with the provisions of this Instrument.

2. All Italian state and para-statal property within the limits of the Free Port which, according to the provisions of the present Treaty, shall pass to the Free Territory shall be transferred without payment to the Free Port.

ARTICLE 3

1. The area of the Free Port shall include the territory and installations of the free zones of the Port of Trieste within the limits of the 1939 boundaries.

2. The establishment of special zones in the Free Port under the exclusive jurisdiction of any State is incompatible with the status of the Free Territory and of the Free Port.

/3. In order,

3. In order, however, to meet the special needs of Yugoslav and Italian shipping in the Adriatic, the Director of the Free Port, on the request of the Yugoslav or Italian Government and with the concurring advice of the International Commission, provided for in Article 21, may reserve to merchant vessels flying the flags of either of these two States the exclusive use of berthing spaces within certain parts of the area of the Free Port.

4. In case it shall be necessary to increase the area of the Free Port such increase may be made upon the proposal of the Director of the Free Port by decision of the Council of Government with the approval of the popular Assembly.

ARTICLE 4

Unless otherwise provided for by the present Instrument the laws and regulations in force in the Free Territory shall be applicable to persons and property within the boundaries of the Free Port and the authorities responsible for their application in the Free Territory shall exercise their functions within the limits of the Free Port.

ARTICLE 5

1. Merchant vessels and goods of all countries shall be allowed unrestricted access to the Free Port for loading and discharge both for goods in transit and goods destined for or proceeding from the Free Territory.

2. In connection with importation into or exportation from or transit through the Free Port, the authorities of the Free Territory shall not levy on such goods customs duties or charges other than those levied for services rendered.

3. However, in respect of goods imported through the Free Port for consumption within the Free Territory or exported from this Territory through the Free Port, appropriate legislation and regulations in force

/in the

in the Free Territory shall be applied.

ARTICLE 6

Warehousing, storing, examining, sorting, packing and repacking and similar activities which have customarily been carried on in the free zones of the Port of Trieste shall be permitted in the Free Port under the general regulations established by the Director of the Free Port.

ARTICLE 7

1. The Director of the Free Port may also permit the processing of goods in the Free Port.
2. Manufacturing activities in the Free Port shall be permitted to those enterprises which existed in the free zones of the port of Trieste before the entry into force of the present Instrument. Upon the proposal of the Director of the Free Port, the Council of Government may permit the establishment of new manufacturing enterprises within the limits of the Free Port.

ARTICLE 8

Inspection by the authorities of the Free Territory shall be permitted within the Free Port to the extent necessary to enforce the customs or other regulations of the Free Territory for the prevention of smuggling.

ARTICLE 9

1. The authorities of the Free Territory will be entitled to fix and levy harbour dues in the Free Port.
2. The Director of the Free Port shall fix all charges for the use of the facilities and services of the Free Port. Such charges shall be reasonable and be related to the cost of operation, administration, maintenance and development of the Free Port.

ARTICLE 10

In the fixing and levying in the Free Port of harbour dues and other charges under Article 9, as well as in the provision of the services and

/facilities

facilities of the Free Port, there shall be no discrimination in respect of the nationality of the vessels, the ownership of the goods or on any other grounds.

ARTICLE 11

The passage of all persons into and out of the Free Port area shall be subject to such regulations as the authorities of the Free Territory shall establish. These regulations, however, shall be established in such a manner as not unduly to impede the passage into and out of the Free Port of nationals of any State who are engaged in any legitimate pursuit in the Free Port area.

ARTICLE 12

The rules and bye-laws operative in the Free Port and likewise the schedules of charges levied in the Free Port must be made public.

ARTICLE 13

Coastwise shipping and coastwise trade within the Free Territory shall be carried on in accordance with regulations issued by the authorities of the Free Territory, the provisions of the present Instrument not being deemed to impose upon such authorities any restrictions in this respect.

ARTICLE 14

Within the boundaries of the Free Port, measures for the protection of health and measures for combating animal and plant diseases in respect of vessels and cargoes shall be applied by the authorities of the Free Territory.

ARTICLE 15

It shall be the duty of the authorities of the Free Territory to provide the Free Port with water supplies, gas, electric light and power, communications, drainage facilities and other public services and also to ensure police and fire protection.

/ARTICLE 16

ARTICLE 16

1. Freedom of transit shall, in accordance with customary international agreements, be assured by the Free Territory and the States whose territories are traversed to goods transported by railroads between the Free Port and the States which it serves, without any discrimination and without customs duties or charges other than those levied for services rendered.

2. The Free Territory and the States assuming the obligations of the present Instrument through whose territory such traffic passes in transit in either direction shall do all in their power to provide the best possible facilities in all respects for the speedy and efficient movement of such traffic at a reasonable cost, and shall not apply with respect to the movement of goods to and from the Free Port any discriminatory measures with respect to rates, services, customs, sanitary, police or any other regulations.

3. The States assuming the obligations of the present Instrument shall take no measures regarding regulations or rates which would artificially divert traffic from the Free Port for the benefit of other seaports. Measures taken by the Government of Yugoslavia to provide for traffic to ports in southern Yugoslavia shall not be considered as measures designed to divert traffic artificially.

ARTICLE 17

The Free Territory and the States assuming the obligations of the present Instrument shall, within their respective territories and on non-discriminatory terms, grant in accordance with customary international agreements freedom of postal, telegraphic, and telephonic communications between the Free Port area and any country for such communications as originate in or are destined for the Free Port area.

/ARTICLE 18

ARTICLE 18

1. The administration of the Free Port shall be carried on by the Director of the Free Port who will represent it as a juridical person. The Council of Government shall submit to the Governor a list of qualified candidates for the post of Director of the Free Port. The Governor shall appoint the Director from among the candidates presented to him after consultation with the Council of Government. In case of disagreement the matter shall be referred to the Security Council. The Governor may also dismiss the Director upon the recommendation of the International Commission or the Council of Government.
2. The Director shall not be a citizen of Yugoslavia or Italy.
3. All other employees of the Free Port will be appointed by the Director. In all appointments of employees preference shall be given to citizens of the Free Territory.

ARTICLE 19

Subject to the provisions of the present Instrument, the Director of the Free Port shall take all reasonable and necessary measures for the administration, operation, maintenance and development of the Free Port as an efficient port adequate for the prompt handling of all the traffic of that port. In particular, the Director shall be responsible for the execution of all kinds of port works in the Free Port, shall direct the operation of port installations and other port equipment, shall establish, in accordance with legislation of the Free Territory, conditions of labour in the Free Port, and shall also supervise the execution in the Free Port of orders and regulations of the authorities of the Free Territory in respect to navigation.

ARTICLE 20

1. The Director of the Free Port shall issue such rules and bye-laws as he considers necessary in the exercise of his functions as prescribed
/in the preceding

in the preceding Article.

2. The autonomous budget of the Free Port will be prepared by the Director, and will be approved and applied in accordance with legislation to be established by the popular Assembly of the Free Territory.

3. The Director of the Free Port shall submit an annual report on the operations of the Free Port to the Governor and the Council of Government of the Free Territory. A copy of the report shall be transmitted to the International Commission.

ARTICLE 21

1. There shall be established an International Commission of the Free Port hereinafter called "the Commission", consisting of one representative from the Free Territory and from each of the following States: France, United Kingdom of Great Britain and Northern Ireland, Union of Soviet Socialist Republics, United States of America, The Peoples' Federal Republic of Yugoslavia, Italy, Czechoslovakia, Poland, Switzerland, Austria and Hungary, provided that such State has assumed the obligations of the present Instrument.

2. The representative of the Free Territory shall be the permanent Chairman of the Commission. In the event of a tie in voting the vote cast by the Chairman shall be decisive.

ARTICLE 22

The Commission shall have its seat in the Free Port. Its offices and activities shall be exempt from local jurisdiction. The members and officials of the Commission shall enjoy in the Free Territory such privileges and immunities as are necessary for the independent exercise of their functions. The Commission shall decide upon its own secretariat, procedure and budget. The common expenses of the Commission shall be shared by member States in an equitable manner as agreed by them through the Commission.

ARTICLE 23

The Commission shall have the right to investigate and consider all matters relating to the operation, use, and administration of the Free Port or to the technical aspects of transit between the Free Port and the States which it serves, including unification of handling procedures. The Commission shall act either on its own initiative or when such matters have been brought to its attention by any State or by the Free Territory or by the Director of the Free Port. The Commission shall communicate its views or recommendations on such matters to the State or States concerned, or to the Free Territory, or to the Director of the Free Port. Such recommendations shall be considered and the necessary measures shall be taken. Should the Free Territory or the State or States concerned deem however that such measures would be inconsistent with the provisions of the present Instrument, the matter may at the request of the Free Territory or any interested State be dealt with as provided in Article 24.

ARTICLE 24

Any dispute relating to the interpretation or execution of the present Instrument, not resolved by direct negotiations shall, unless the parties mutually agree upon another means of settlement, be referred at the request of either party to the dispute to a Commission composed of one representative of each party and a third member selected by mutual agreement of the two parties from nationals of third countries. Should the two parties fail to agree within a period of one month upon the appointment of the third member, the Secretary-General of the United Nations shall be requested to make the appointment. The decision of the majority of the members of the Commission shall be the decision of the Commission, and shall be accepted by the parties as definitive and binding.

ARTICLE 25

Proposals for amendments to the present Instrument may be submitted
/to the Security

to the Security Council by the Council of Government of the Free Territory or by three or more States represented on the International Commission. An amendment approved by the Security Council shall enter into force on the date determined by the Security Council.

ARTICLE 26

For the purposes of the present Instrument a State shall be considered as having assumed the obligations of this Instrument if it is a party to the Treaty of Peace with Italy or has notified the Government of the French Republic of its assumption of such obligations.

