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LETTER DATED 5 JULY 1949 FROM THE PERMANENT REPRESENTATIVE
OF THE F.P.R. OF YUGOSLAVIA TO THE UNITED NATIONS
ADDRESSED TO THE SECRETARY-GENERAL
TRANSMITTING A LETTER FROM HIS GOVERNMENT
CONCERNING THE FREE TERRITORY OF TRIESTE

July 5, 1949

Sir,

I have the honour to forward to you the attached letter
of my Government, the Federal People's Republic of Yugoslavia.

May I take this opportunity to renew the assurance of my
high esteem.

Respectfully yours,

/s/ Joza Vilfan
Permanent Representative of the F.P.R. of
Yugoslavia to the United Nations

His Excellency Mr. Trygve Lie
Secretary-General
United Nations
Lake Success, New York

/Excellency,

Excellency,

Upon the request of the Chief of the Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste, Mirkó Lenac, the Government of the Federal People's Republic of Yugoslavia has the honour to forward to Your Excellency, his letter to the Security Council as follows:

"I have the honour to inform the Security Council of the following:

"Upon my proposal, acting in the capacity of Chief of the Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste, a loan agreement was concluded on July 1, 1949 between the Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste and the Government of the Federal People's Republic of Yugoslavia. By that agreement, the Government of the Federal People's Republic of Yugoslavia has undertaken to place at the disposal of the Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste, the amount of five hundred million Yugoslav dinars for the purpose of changing Yugoslav lire "B" (Yugolire) now in circulation in the Yugoslav Zone of the Free Territory of Trieste and to secure a sufficient quantity of financial means for the needs of the Zone. The Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste has undertaken to pay back the loan as soon as it receives indemnity from Italy in accordance with Point 4 of Article 76 of the Peace Treaty.

"The Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste concluded the agreement with a view to putting an end to the abnormal situation which arose as a consequence of the serious violation of the Peace Treaty by the Allied Military Government for the Anglo-American Zone of the Free Territory of Trieste and by the Italian Government. Such a situation imposed enormous damage upon the interests of the population of the Yugoslav Zone of the Free Territory of Trieste and constituted a serious obstacle to the economic development and prosperity of the area.

"As is known, the Italian Government is bound, according to Article 11, Annex VII of the Peace Treaty, to supply the foreign exchange and currency needs of the Free Territory of Trieste until the separate currency regime is established for the Free Territory of Trieste.

"In order to implement provisions of that article of the Peace Treaty, and at the request of the Military Administration of the Yugoslav

/Army

Army for the Yugoslav Zone of the Free Territory of Trieste, the Government of the Federal People's Republic of Yugoslavia - as mentioned in my annual report, submitted to the Security Council on November 2, 1948 - communicated on November 23, 1947 with the Italian Government, requesting that an agreement on the supply by Italy of the Zone with the necessary means of payment be negotiated between the Italian Government and the Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste.

"The Italian Government however, categorically refused to comply with its obligations laid down in the Peace Treaty, resorting to fully unwarranted and legally untenable arguments as e.g. that there was in the Yugoslav Zone a currency in circulation different from Italian lira and that accordingly the conditions of application of Article 11, Annex VII of the Peace Treaty would have ceased. Correspondence on that matter, between the Government of the Federal People's Republic of Yugoslavia and the Government of the Italian Republic has been attached to my annual report submitted to the Security Council on November 2, 1948.

"On the other hand, the Allied Military Government for the Anglo-American Zone of the Free Territory of Trieste concluded on March 9 and September 22, 1948 the following agreements in clear contravention of the provision of points 2 and 4 of Article 24, Annex VI and Article 11, Annex VII of the Peace Treaty: "Agreement on Certain Financial Questions Arising From the Execution of the Peace Treaty", "Agreement on Finance", "Agreement on the Provision of Foreign Exchange" and "Agreement for the Purpose of Implementing Agreements signed on March 9, 1948 on Finance and Foreign Exchange with Particular Reference to the Command of the Zone's Plan for the Participation of the Zone in the European Recovery Program". By these agreements, contradictory to both letter and spirit of the Peace Treaty, a Monetary, Customs and Economic Union has been created between the Anglo-American Zone of the Free Territory of Trieste and Italy so that the Anglo-American Zone lost its economic and financial independence and has virtually been incorporated, as to economics and finance, into Italy.

"The Government of the Federal People's Republic of Yugoslavia has, as it is known, repeatedly intervened following these violations of the Peace Treaty, but all its interventions have remained without any result whatsoever.

/"Referring to

"Referring to its economic and financial obligations towards Italy, entered into by the above-mentioned agreements, the Allied Military Government for the Anglo-American Zone of the Free Territory of Trieste has impeded the free circulation of goods between the two zones, and the Yugoslav Zone of the Free Territory of Trieste found itself, as a consequence of such unlawful measures, in a difficult economic and financial position. While strictly complying with the letter and spirit of the Peace Treaty, the Military Administration for the Yugoslav Zone of the Free Territory of Trieste was compelled, under such conditions, to direct its economy almost exclusively towards the Federal People's Republic of Yugoslavia. Thanks to effective assistance of the Government of the Federal People's Republic of Yugoslavia, detailed in my report of November 2, 1948 to the Security Council, the Military Administration has been greatly successful in promoting and developing the economic life of the zone and of its population.

"Nevertheless, the fact that the so-called Yugolira, temporary currency issued by the Yugoslav Military Authorities in 1945, has continued to circulate in the Zone, that its quantity remained unchanged and accordingly it was not adaptable to the increased exigencies of the economic life, became a serious hindrance to the economic development, so that danger appeared that the Military Administration of the Yugoslav Zone might be unable to satisfy all the financial requirements of the Zone. Furthermore, this has prevented any foreign trade whatsoever on the basis of the pecuniary settlement, since the Yugolira, as temporary occupation currency, has not been and could not be recognized in international relations as separate foreign exchange.

"Such an abnormal situation, brought about by the above-mentioned measures of the Allied Military Government for the Anglo-American Zone of the Free Territory of Trieste and by proceedings of the Italian Government, compelled the Military Administration to seek an effective solution of that vital question for the population of the Yugoslav Zone of the Free Territory of Trieste. Bearing in mind the well-being of the population of the Yugoslav Zone of the Free Territory of Trieste, in the interest of the Zone's full economic development and of its economic and financial stabilization, the Military Administration of the Yugoslav Army for the Free Territory of Trieste requested the Government of the Federal People's Republic of Yugoslavia to grant financial assistance for the purpose of solving this problem, in the form of a loan. The Government of the Federal People's Republic of Yugoslavia has met the request and concluded with the Military Administration the loan agreement referred to.

/"The Military

"The Military Administration of the Yugoslav Army for the Yugoslav Zone of the Free Territory of Trieste is confident that this agreement will secure the unhampered development and progress of the economy of the Zone and therefore its proceeding is fully in keeping with the spirit of the Peace Treaty and in accordance with Paragraph 2, Article 11, Annex VII of the Peace Treaty."

The Government of the Federal People's Republic of Yugoslavia takes this opportunity to assure, His Excellency, the Secretary-General of the United Nations, of its high consideration.

Beograd, July 2, 1949

His Excellency Mr. Trygve Lie
Secretary-General
United Nations
Lake Success, New York