Printed for the Cabinet. June 1954

SECRET

Copy No. 63

C. (54) 197

16th June, 1954

CABINET

TRIESTE

MEMORANDUM BY THE MINISTER OF STATE

On 12th April the Foreign Secretary circulated to the Cabinet a paper (C. (54) 145) regarding talks which have been taking place in London between representatives of the United Kingdom, United States and Yugoslavia with the object of finding a realistic basis for bringing about an agreed settlement between Italy and Yugoslavia of the Trieste problem. These talks were brought to a conclusion on 31st May, when an " Agreed Record " was initialled by the negotiators. This sets out the position reached at the end of the discussions and outlines the proposals which the United Kingdom and United States representatives have undertaken to put to the Italian Government as a basis for a settlement.

2. A copy of the " Agreed Record " (without Annexes) is circulated herewith for information. Its main provisions are:

Territorial

Zone A goes to Italy and Zone B to Yugoslavia. But there should be minor adjustments of the inter-zonal boundary resulting in an exchange of some 12 square kilometres in the south-west corner of Zone A of the Free Territory against a somewhat smaller and less valuable strip in the north-east corner of Zone B.

Administration

Subject to agreement on all related points, the United Kingdom, United States and Yugoslav Governments should terminate the military governments in Zones A and B of the Free Territory and the United Kingdom and United States Governments, after withdrawal of their military forces from the area north of the new boundary, should relinquish administration of that area to the Italian Government. The Yugoslav and Italian Governments would forthwith extend their civil administrations over the areas for which they would have responsibility.

Safeguards for the Inhabitants of the Free Territory

(*a*) The Yugoslav and Italian Governments should negotiate a statute on a reciprocal basis for the protection of the minorities in the areas which they would administer.

(*b*) The Italian Government should undertake to maintain the Free Port at Trieste in general accordance with the provisions of Articles 1–20 of Annex VIII of the Italian Peace Treaty.

(*c*) The Italian Government should be invited to declare that the area coming under Italian administration would have an appropriate measure of local autonomy.

Statement of Non-Support of Territorial Claims

The United Kingdom and United States Governments and, if they are willing, the French Government should issue a declaration that they will give no support to the claims of either Yugoslavia or Italy respecting territory under the sovereignty or administration of the other.

Settlement of Outstanding Financial Problems

The United Kingdom and United States Governments would seek to bring about, concurrently with the general agreement on Trieste, a lump-sum, or at least a partial, settlement of the principal financial problems now outstanding between Italy and Yugoslavia and resulting in the main from the Reparation Clause of the Italian Peace Treaty.

3. In the course of the negotiations, the Yugoslav Government were informed, as authorised by the Cabinet on 13th April, that the United Kingdom Government would contribute a sum of £2 millions as part of the final settlement of the dispute, probably in the form of an extension for one year of economic aid to Yugoslavia.

4. It will be seen that the Yugoslav Government have now been brought to accept, with certain modifications and safeguards, the solution which they rejected and the Italians accepted last October. At the Foreign Secretary's direction, the proposition was communicated to the Italian Government on 1st June. It is difficult to forecast what their reaction will be. The proposition will involve some sacrifice on their part, as it has on the part of the Yugoslavs. But, in my opinion, they will be well-advised to close quickly with an offer which gives them far the most important part of the Free Territory and which may not easily be repeated.

S. L.

Foreign Office, S.W. 1,
12th June, 1954

AGREED RECORD OF POSITIONS REACHED AT THE CONCLUSION OF DISCUSSIONS IN LONDON, 2ND FEBRUARY TO 31ST MAY, BETWEEN REPRESENTATIVES OF THE UNITED KINGDOM, UNITED STATES AND YUGOSLAVIA

Beginning on 2nd February, 1954, a series of discussions took place in London between representatives of the United Kingdom, United States and Yugoslav Governments in order to ascertain whether a basis for the solution of the Trieste problem could be found which would be acceptable to both Yugoslavia and Italy. A common desire for the solution of the problem was manifest during these discussions. The Yugoslav representative made it clear that, should agreement not be reached as a result of the current negotiations, the Yugoslav Government would not consider itself bound by the provisions of this record.

1. *Procedure*

The United Kingdom and United States representatives undertook to propose to the Italian Government that it enter into a Memorandum of Understanding covering points 2 to 6 below and any points suggested by the Italian Government, or any other participants, upon which agreement is reached. Such a Memorandum would make reference to the present unsatisfactory situation resulting from the impossibility of putting into effect the provisions of the Italian Peace Treaty relating to the Free Territory of Trieste and to the agreement of the United Kingdom, United States, Yugoslavia and Italy, as the countries principally concerned, to bring this situation to an end. It would provide that, as soon as the Memorandum has been initialled and the territorial adjustments described therein have been carried out, the United Kingdom, United States and Yugoslav Governments will terminate the Military Governments in Zones A and B of the Territory, and the United Kingdom and United States Governments will withdraw their military forces from the area north of the new boundary and relinquish administration of that area to the Italian Government. The Yugoslav and Italian Governments will forthwith extend their civil administrations over the areas for which they have responsibility.

The Memorandum of Understanding will be notified to the parties to the Italian Peace Treaty and to the Security Council of the United Nations.

2. *Territorial Provisions*

It was agreed that the United Kingdom and United States representatives will propose to the Italian Government the acceptance of the territorial delimitation described in Annex I. The new boundary will be drawn on a map at a scale of 1 : 50,000, which will be annexed to the Memorandum of Understanding. As soon as the Memorandum of Understanding has been initialled, representatives of Allied Military Government and representatives of Yugoslav Military Government will carry out promptly, and in any event within three weeks, a provisional adjustment of the boundary in accordance with the map. The Memorandum of Understanding will include a provision for the subsequent establishment by the Yugoslav and Italian Governments of a commission to effect a definitive demarcation of the boundary in accordance with the map.

3. *Minorities*

It was agreed that there should be annexed to the Memorandum of Understanding a statute on a reciprocal basis for the protection of the Minorities in the areas concerned. The United Kingdom and United States representatives undertook to transmit to the Italian Government a set of guiding principles, prepared by the Yugoslav representative and attached hereto as Annex II, which should, subject to consideration of any Italian suggestions, serve as the basis for the preparation of such a Statute.

4. *Free Port*

It was agreed that the Memorandum of Understanding should contain an undertaking by the Italian Government to maintain the Free Port at Trieste in general accordance with the provisions of Articles 1 through 20 of Annex VIII of the Italian Peace Treaty.

The United Kingdom and United States representatives will propose that the Italian Government agree to invite representatives of Yugoslavia, Austria and possibly other users of the Port of Trieste to a meeting for the purpose of working out the necessary arrangements to apply these articles under present conditions in order to ensure the fullest possible use of the Free Port in accordance with the needs of international trade. It was agreed that the Italian Government could give its undertaking to call such a meeting in a confidential exchange of letters with the Yugoslav Government simultaneously with the initialling of the Memorandum of Understanding.

5. *Autonomy*

It was agreed that the United Kingdom and United States representatives should endeavour to obtain inclusion in the Memorandum of Understanding of a declaration by the Italian Government that the area coming under Italian administration should have an appropriate measure of local autonomy.

6. *Non-Prosecution Clause*

The United Kingdom and United States representatives will propose the inclusion in the Memorandum of Understanding of a statement along the following lines: —

> "The Governments of Yugoslavia and Italy agree that they will not undertake any legal or administrative action to prosecute or discriminate against any resident of the areas, coming under their civil administrations in accordance with the Memorandum of Understanding, for past political activities in connexion with the solution of the problem of the Free Territory of Trieste."

7. *Consular Representation in Trieste*

The United Kingdom and United States representatives will propose that the Italian Government undertake to accord consular status to the representatives of the countries now represented in Trieste by political or commercial representatives.

8. *Slovene Credit and Cultural Institutions*

The United Kingdom and United States representatives undertook to seek Italian acquiescence in the granting by Allied Military Government in Zone A of permission for the opening of a Slovene credit institution in Trieste. Allied

Military Government may take such action before the Memorandum of Understanding is initialled.

The United Kingdom and United States representatives also undertook to explore with the Italian Government the possibility of making arrangements to provide suitable buildings for the cultural activities of the Slovene minority in the area of Trieste as a partial replacement for those formerly used for this purpose.

9. *Question of Claims*

The Yugoslav representative stated that his Government did not wish to raise the question of option, claims and counter-claims arising out of the execution of the provisions of the Memorandum of Understanding. Should, however, the Italian Government press for a provision on this point, the Yugoslav view is that the inhabitants of the Free Territory should be given one year in which to decide whether they wish to change residence and one additional year in which to dispose of property. The sums realised from such property liquidation would be deposited in special accounts with the national banks of the two countries and any balance between these two accounts would be liquidated by the two Governments within a specified period of time.

10. *Settlement of Financial Problems*

The United Kingdom and United States representatives undertook to make strong efforts to bring about, concurrently with the general agreement on Trieste, a lump-sum settlement, or at least a partial settlement, of the principal financial problems now outstanding between Italy and Yugoslavia.

The Yugoslav representative maintained that a settlement or partial settlement of these problems should be arrived at concurrently with the general settlement of the Trieste problem. The United Kingdom and United States representatives, while agreeing to make every effort to obtain a settlement, maintained their position that the resolution of the Trieste question should not be made absolutely contingent thereon. The Yugoslav representative also considered that such settlement should dispose of the claims arising from the Reparation provisions of the Italian Peace Treaty and the Italo-Yugoslav agreements signed in Belgrade on 23rd May, 1949, and in Rome on 23rd December, 1950. He did not consider that claims arising out of the Memorandum of Understanding should be included in such a settlement.

11. *Statement of Non-Support of Territorial Claims*

After the Memorandum of Understanding has been initialled, the United Kingdom and United States Governments will issue a Declaration that they will give no support to the claims of either Yugoslavia or Italy respecting territory under the sovereignty or administration of the other. The United Kingdom and United States Governments will invite the French Government to make a similar declaration.

(GEOFFREY W. HARRISON.)
(LLEWELLYN E. THOMPSON.)
(VLADIMIR L. VELEBIT.)

London, 31st May, 1954.