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Declassified E.O. 12356 Section 3.3/NND No. 785016

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10000/142/180
(VOL. 2)

FI
NO

0974

Declassified E.O. 12356 Section 3.3/NND No. 785016

10000/142/180
(VOL. 2)

FINANCE SUB-COMMISSION
NOV. 1945 - AUG. 1946

FILE

HEADQUARTERS ALLIED COMMISSION
APO 794
LEGAL SUB-COMMISSION

FILE

P9A

JKW/rm.
29 August 1946.

AC/4014/2/1.

SUBJECT : Claim - Loss of Luggage.

TO : Captain RAGONA
Asst. S-1, 2675 Regt. A.C.

1. If, as this letter indicates, the claim for lost baggage is being referred to the "Commission" it will be in the hands of the "Allied Financial Agency" (located in the Bank of Italy, Rome) and not in A.C.

2. Presumably the letter should be sent to such agency.

36

JOHN K. WHEELER,
Colonel, Infantry.
Chief Legal Advisor.

4/2

Legal S/ GPAS-1, 2675th Regiment
Allied Commission

SUBJECT:

26 August 1946

TO :

Capt Weber

Major Rively, Office of the Chief Commissioner

No record of this individual ever being with the Allied Commission.

Capt Ragona
Asst S-1

35

HEADQUARTERS ALLIED COMMISSION
410 394
LEGAL SUB-COMMISSION

AC/4614/2/L.

APW/pa.
1 Apr 46.

SUBJECT : Disposal of Cash Sequestered in Court.
TO : Finance Sub-Commission (Allied Financial
Agency Financial Accounting Unit).

1. Reference your 13843/F/A/3 of 2 March 1946.
2. With the exception of the two cases set out below, all of the lire listed in your 13843/F/A/1 dated 17 February 1946 must be returned to accused therein named if they can be located or held till lawful claim therefore is established. The same instructions should be given to agency to which you turn over said funds at your closing.

De Baras et al. 44,011 lire seized, fine 50,000 lire, NO refund due.

Salvo Reao and Nani Renzo 30,000 seized. Confiscated by proper order of trial Court.

3. Money seized by AFs and other agencies was very often not brought into court, therefore no Court order was made regarding same. It is noted that only four of the officers receiving the lire set out in your schedule, were Legal officers.

Inc. Rtg

MUSGRAVE THOMAS,
Italian Branch,
for Chief Legal Advisor.

Ref. your AC/4014/2/L. dated 28 Feb 46.

1. The treatment suggested for various categories is noted. These general instructions, however, are not sufficient to enable us to dispose of individual items.

2. a) As pointed out in a note on page 2 of the Appendix to our 13845/P/A/1 dated 12 Feb 46, there have been a number of repayments which cannot be related to specific items of cash held, without the aid of your more detailed legal records.

b) As one example of this, it will be seen that there is a sum of lire 30.501 "seized by MPs" in respect of "PELUSO et al", and a refund of lire 9.000 to PELUSO Gaetano. These items may be related, but this Office is not in a position to know.

c) In other cases, especially where names are missing, not even a prima facie connection can be established.

d) Since all these refunded items were at NOIA or MARIES, and since in many cases the date of the Court is shown, it should be possible from your legal records to establish when and where the sums were originally deposited with AMG/AC.

3. Further, this Office is not informed as to whether or not the Court has made an order of confiscation, whether or not bail conditions were complied with, or whether or not money described as "seized by MPs" or by similar vague phrases satisfies the conditions of your para 4.

4. It is apparent, therefore, that the matter cannot be dealt with except by a detailed examination of each item, and the Appendix to 13845/P/A/1 dated 12 Feb 46 is returned to you accordingly.

Chief Counsel
CJO
Italian Section
CL RKS HSE/rs

4 March 46

H. S. EMERY Capt 1st Corps,
For Assistant Chief of AFA.

4014/31
2nd Ind.

LEGAL SUB-COMMISSION, ALLIED COMMISSION, APO 394, 28 February 1946.

TO: Finance Sub-Commission, Allied Commission
Financial Agency.

Reference your FA/7.55 of 7 January 1946.

Monies referred to in letter attached to your above communication should be handled as follows:

b) Bail money must be returned to the person posting same, upon proper proof that the conditions upon which it was posted have been complied with in full.

c) Gold, English, French and United States currency shall be held by AFA and not returned to the person from whom seized, if at the time of seizure it was contrary to proclamation law to possess same. It will be disposed of by AFA in accordance with whatever plan it has devised for other funds upon final closing of such agency. This is true also as to monies representing evidence in cases.

d & e) Monies from Fines shall be taken into AFA to be disposed of in accordance with whatever plan it has devised for other funds upon final closing of such agency.

ANTHONY P. NUGENT, Major AUS,
Chief Counsel.

HEADQUARTERS ALLIED COMMISSION

APO 394

FINANCE SUB COMMISSION

13003/T

1 March 1946

SUBJECT : Routing of Correspondence.

TO : All Concerned.

1. The Finance Sub Commission of the Allied Commission formerly included two functions which have recently been placed under AFHQ:

- (a) the function of accounting for civilian supplies made available to the Italian civil population, which now comes under the Allied Supply Accounting Agency
- (b) the supply of lire currency to the Allied Forces in Italy, and various related technical functions, which is the responsibility of the Allied Financial Agency.

Both ASAA and AFA will continue to be located in Rome and attached to the Allied Commission.

2. It is desirable that correspondence pertaining to Allied Supply Accounting Agency and Allied Financial Agency matters be addressed directly to these Agencies instead of through the message center of the Finance Sub-Commission as at present.

3. It is therefore requested that all correspondence and documents on matters of civilian supply accounting be addressed to the Allied Supply Accounting Agency. Much of such correspondence was formerly addressed to the Chief Accountant, Allied Commission, and should now be readressed.

4. All correspondence on the following questions should in future be addressed to the Allied Financial Agency:

- (a) the supply of lire currency to the Allied Forces
- (b) redemption of counterfeit notes
- (c) destruction of mutilated or foul currency
- (d) seized or confiscated enemy funds
- (e) funds taken from Allied ex POW.

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- (a) the supply of lire currency to the Allied Forces
- (b) redemption of counterfeit notes
- (c) destruction of mutilated or foul currency
- (d) seized or confiscated enemy funds
- (e) funds taken from Allied ex POW.

5. In addition, questions relating to the expenditure of AC/AMG funds will continue to be handled by the Financial Accounting Unit of the Allied Financial Agency. Therefore AC/ALG Sub Accountants' reports, etc., will be addressed to AFA.

- 2 -

6. Correspondence for both ASAA and ATA will be marked "c/o HQ Allied Commission, APO 394" and will be appropriately routed by the ALCOM message center.

Director, Finance Sub Commission.

Distribution:

Allied Supply Accounting Agency (5)
 Allied Financial Agency (5)
 S.C.A.O. AMG Venezia Giulia (For CFO) (5)
 Prov. Commissioner AMG UDINE Province (1)
 ALCOM Chief Liaison Officer Naples (1)
 Livorno (1)
 Bologna (1)
 Liguria (1)
 Piemonte (1)
 Lombardia (1)
 Bolzano (1)
 Venezia (1)
 Sicily (1)
 Bari (1)
 Ancona (1)

Executive Commissioner
 A/VE Economic Section (1)
 Civil Affairs Section, ALCOM (1)
 Establishment Section, ALCOM (1)
 Director each Sub Commission, ALCOM (1)
 G-5 (Financial Adviser) A.T.H.Q. (5)
 D.F.I.C. GHQ C.M.F. (25)
 Financial Adviser (Br) G.H.Q., C.M.F. (3)
 G.H.Q. (for Q (AE) and Q (Taint)) (3)
 Fiscal Director, MTOUSA (25)
 MTOUSA (for G-4) (3)
 Fiscal Director PES (1)
 HQ PBS, APO 782 (1)
 HQ Auxiliary Troops Sub Command (1) →
 (Central Records Section)
 Southern District I.E.S.
 APO 782

ALCOM SUB COMMISSION

CLO

DCLO

Chief Counsel

CLO

Finance Sub Commission.

Distribution:

Allied Supply Accounting Agency (5)
 Allied Financial Agency (5)
 S.C.A.O. AMG Venezia Giulia (For CFO) (5)
 Prov. Commissioner AMG UDINE Province (1)
 ALCOM Chief Liaison Officer Naples (1)

Livorno (1)
 Bologna (1)
 Liguria (1)
 Piemonte (1)
 Lombardia (1)
 Bolzano (1)
 Venezia (1)
 Sicily (1)
 Bari (1)
 Ancona (1)

Executive Commissioner

A/VE Economic Section (1)
 Civil Affairs Section, ALCOM (1)
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 Fiscal Director PES (1)
 HQ PBS, APO 782 (1)
 HQ Auxiliary Troops Sub Command (1) →
 (Central Records Section)
 Southern District I.E.S.
 APO 782

Ministry of the Treasury (5)
 Ministry of Finance (5)
 POW Accounts Office (1)
 Allied Screening Commission (1)
 U.S. Claims Service (1)
 Claims and Hirings (Br) (1)
 No. 8 Command Pay Office (5)

LEG. SUB-COMMISSION

CLO

DCLO

Chief Counsel

CJO

Italian Section

CL RKS

28.2.46

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

/mda.

AG/4014/2/L.

28 February 1946.

SUBJECT : Disposal of cash sequestered in Court.

TO : Finance Sub-Commission.

Reference your letter No. 13845/F/A/1 of 12 Feb 46.

The disposition of the lire set out in the schedule attached to your letter, should be as follows:

1. Lire for which no proper order of confiscation has been entered by the court, must be returned to the person from whom seized.
2. Lire properly confiscated by order of court, shall be kept with your general receipts for disposition in the same manner as other funds on hand at the time of closing.
3. Lire held as bail, must be returned to the person posting same, upon proof that the conditions upon which it was posted have been complied with in full.
4. Money seized by AMG authorities, which under the proclamations could not be lawfully possessed by the person from whom seized, will not be returned to such person, but will be treated as in para 2 above.

ANTHONY P. NUGENT,
Major, AUS,
Chief Counsel,
for Chief Legal Advisor.

Incls. returned.

File *4014/2*

HQ ALLIED COMMISSION
FINANCE SUB-COMMISSION
ALLIED FINANCIAL AGENCY FINANCIAL ACCOUNTING UNIT
APO 594

P21A

Tel: Dial 478456

Ref: 13845/F/A/1

12 Feb 46

SUBJECT: Disposal of cash sequestrated in court.

TO : Legal Sub-Commission.

1. Allied Financial Agency holds various sums of money which were sequestrated in court or during investigations, held as court exhibits etc. May instructions please be given for the disposal of these funds, in view of the imminent closing down of the accounts.

2. All available detail is given in the attached Appendix.

HSE/mg

H. S. Emery Capt.
H.S. EMERY Capt. Int Corps
For Assistant Chief of AFA.

29

CIO

DCLO

→ Chief Counsel

CIO

Italian Section

CL RKS

Recd. 15.2.46.

(SIA)

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13016/F

19 January 1946

SUBJECT : Refund of bail monies.

TO : Director,
Legal Sub Commission.

1. I attach hereto a copy of a letter from the AC Liaison Office, Naples, Bails and Fines Section.
2. As you will appreciate, the Allied Financial Agency Sub-Section of Finance Sub Commission is merely a custodian in this matter and is not competent to determine whether bails monies should be released.
3. I should be grateful if you would indicate to what legal authority we should look for the necessary authorization.

28

LEG. SUB. COMMISSIO

CLO

DCLO

Chief Counsel

CJO

Italian Liaison

CLERK

Encl.

Recd. 51 Jan 46

Robert L. Timmons
Director,
Finance Sub Commission, Lt. Col.

HQS A.C.
LIAISON OFFICE-NAPLES
BAILS & FINES SECTION
APO 394 U.S. ARMY

COPY

R/7219

Naples 8 January 1946

SUBJECT : Refund of bail monies to Alfredo Erman.

TO : Finance Sub-Commission,
APO 394 U.S. Army.

1. On 10 May 1944, the Allied Summary Military Court V issued an arrest warrant against the above mentioned.
2. The said Erman, after being apprehended, was taken before the above said Court which ordered him to pay 50.000 lire bail and granting him temporary release from jail.
3. The said amount of bail monies was duly paid in to this Finance Section which, in turn, issued receipt n.23856, dated 24 May 1944.
4. On 9 September 1944 the Naples Provincial Legal Office in screening the case in subject, by error of consultation, i.e, believing that the arrest warrant had been issued after the temporary release order on the strenght of the bail sum payment, issued an order to confiscate the 50,000 lire bail of the said Erman, which order was executed by this Section.
5. This Section now points out :
 - a that after temporary release grant in favor of the said Erman, the Naples' Provincial Legal Office transferred his case to the Italian Courts.
 - b the Italian Courts, after having tried the said Erman, on 6 November 1945, ordered the refunding of the 50,000 lire bail.
6. Successively Capt. Gaziano, Naples' Liaison Legal Officer, pronounced himself favorably for the refunding of the above said monies, but, at the same time, was not authorised to order same repayment; as also the Legal Sub-Commission likewise stated to be not competent in the matter.
7. Therefore this Finance Section request of your office the authorization for the refunding of the confiscated bail monies in question.

For the Senior Liaison Officer:

sd/ Carl J. Carrilio
CARL J. CARRILIO
Major
Liaison Officer

SOA
Office of British
Political Adviser

Lieut. Colonel Timmons,
Finance Sub-Commission.

Subject: Yugoslav occupation lire

I think you might be interested to see the following extract from a letter received by the British Embassy giving the British Foreign Office's views on the issue of occupation lire by the Yugoslav authorities in Zone B.

"It seems to us that the armistice terms must necessarily apply to the whole of Italian territory under Allied occupation, irrespective of any particular conditions which may apply in a certain area or of which of the United Nations is in occupation. If this is the case, the Italians would be entitled to claim that the acts of the various occupying authorities should be authorised, either directly or by delegation, by the central Allied authority, and they can certainly ask to be released from any obligation arising from acts which are not so authorised. In this instance, the point is not so much that the Yugoslavs have issued an occupation currency, which they might be justified in doing (and regarded as generally authorised to do) in order to pay their own troops if they had not sufficient ordinary lira available. The difficulty is rather the withdrawal and replacement of the ordinary local currency. An occupying power has no right to do more than make an occupation currency legal tender alongside the local currency, unless it is essential to the economy and good government of the region that the local currency should be wholly displaced. This it well may be, but a decision to that effect could only come from the

/central

- 2 -

central Allied authority.

"In the light of the above, we do not think that the Italian Government can be held liable for the redemption of the Yugoslav lira in Zone "B" or anywhere else where they may be found. Since we understand that one of the reasons for which the Yugoslavs have issued this new currency is to enable them to collect all the real Italian currency in the zone for their own purposes (amongst which would be the financing of propaganda in Zone "A"), it would be tempting to suggest to the Italian Government that they should declare that, as a result of the Yugoslav authorities' action, they considered old Italian lira emanating from Zone "B" to be cancelled and of no value. However, we realise that this would probably cause too many economic and financial complications to be practicable."

(Sgd) A. S. HALFORD

21.1.46

Political Adviser(BR)

Copied to: Lieut. Colonel Hannaford,
Legal Sub-Commission.
Mr. Sullivan, British Polad,
c/o AMG, XIII Corps.

25

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

49A

/ada

AC/4014/2/1.

9 January 1945.

SUBJECT : Charge on Report of Survey - SILVI Riccardo.

TO : Finance Sub-Commission.

Ref. your 13048/F of 5 December 1945.

1. It appears from correspondence attached there is a claim (not a judgment) against one SILVI Riccardo for \$ 463.29 for damages to an U.S. Army truck. It is further stated that SILVI Riccardo has not been located.
2. The method of collecting this claim against SILVI Riccardo would depend on where and when he is found.
3. It is suggested that the claim be referred to Claims Section U.S. Army.

24
ANTHONY P. NUGENT, Major
Chief Counsel.
for Chief Legal Advisor.

4014/21

48A

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13048/F

5 December 1945

SUBJECT: Charge on Report of Survey - Silvi Riccardo.

TO : Legal Sub-Commission

1. On 5 June 1945 the American Army made a judgment against one Silvi Riccardo for the sum of four hundred and sixty-three dollars and twenty-nine cents (\$463.29) for damages done to an Army truck on 7 May 1945. It is considered that the Report of Survey, attached hereto for your information, is insufficient to effect collection of this amount.

2. It would be appreciated if you would advise this Sub-Commission as to the proper procedure to be followed to enforce payment by the subject, returning the attached report with your reply.

BELT
Acting Director
FINANCE SUB-COMMISSION
Lt. Col.

Incl: 1

23

CIO
DELO
Chief Clerk
CIO
Italian
CL
6 DEC 1945

4014/1
file

77A

Office of British
Political AdviserColonel Hannaford,
Legal Sub-Commission.

I agree with Mr. Malford's marginal comment. The exact legal situation of Zone B and to a lesser extent of Zone A in relation to the armistice terms is most difficult if not impossible to define. Moreover, although I agree that we ought to ask APHQ for a ruling, I think it is most unlikely that we shall get anything very satisfactory out of them particularly as the two agreements are APHQ's own children but not ones of whose origins they are particularly proud. The Caserta agreement referred to in paragraph 5 was, I suppose, the verbal agreement which Sacmed obtained from Marshal Tito during the course of his visit to Caserta on 13th August 1944.

With Polad A, I do not understand the meaning of the last line of paragraph 5.

H. Hopkinson

6.xii.45

Polad (BR)

22

Copy to Polad (A)

rec'd J. J.

HEADQUARTERS ALLIED COMMISSION
APO 394
Office of Political Adviser (A)

*The whole problem is
that we slipped into
the V.G. compromise
without really making
an Armistice signature*

November 28, 1945

TO : Polad (B) ✓
Colonel Hannaford, Legal S/C
SUBJECT: Scope of the Armistice

I have the following comments to make on the attached draft to the Finance Sub Commission:

1. With reference to Paragraph 5, the last line is not clear. Surely AMG administration was "considered" with respect to Zone A, which was created by the two agreements referred to. Certainly AMG is functioning in Zone A at the present time.

2. With reference to Paragraph 6, it would seem that the Italian Armistice terms must be applicable to all Italian territory, including Zone B. Furthermore, these Armistice terms were signed by the Supreme Allied Commander on behalf of the United States, United Kingdom and the USSR, representative of the United Nations. It appears to me therefore, that the observation of the Armistice terms is not only a US-UK responsibility, but a United Nations responsibility shared equally by Yugoslavia. Whether she will or will not fulfill her obligations under international law and under the Armistice with respect to Italian territory occupied by her authorities is of course another question. **If 21**

J. Wesley Jones (ad)
J. Wesley Jones
Political Adviser (A)

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4014/2/L.

/es
27 November 1945

SUBJECT : Scope of the Armistice.

TO : Finance Sub-Commission.

1. This Sub-Commission has been requested to give its opinion as to whether or not the long^{term} of armistice apply to Zone B of Venezia occupied and administered by the Yugoslav Forces.

2. The legal evidence on which such opinion can be based is scanty. It consists of two documents, the Morgan-Jovanovic and the Belgrade agreements. Neither of them refer to the armistice terms as the instrument under which Zone B is administered.

3. The purposes of the High Contracting Parties when these documents were entered into is^{not} known to this Sub-Commission. The legal position may very well depend on the evidence of intention which may have been expressed by both signatories at the time. To date this evidence has not been made available to this Commission.

4. It must be noted, however, that all material evidence appears to confirm the fact that the Yugoslavs do not consider themselves bound by the armistice terms at least as far as the administration of Zone B is concerned.

5. Furthermore the ^{valid agreement} ~~document~~ known as the Caserta ^{agreement} ~~instrument~~ ^{it} agreement, which is understood provided for AMG administration of the whole of Venezia Giulia was unilaterally broken, and eventually replaced by the two ^{agreements} ~~instruments~~ ^{to above} above referred where ~~AMG~~ administration is not considered.

6. It is ~~well~~ realized that the Allied Governments are facing the following dilemma - either the armistice terms apply to Zone B and the Allies become responsible for every violation of international law committed by the Yugoslavs or they do not, and in that case the Allies have unilaterally broken an international agreement to which Italy was a party.

7. Before giving a definite opinion on the incomplete evidence in our possession, it is suggested that the matter be referred to A.F.H.Q.

19

G.G. HANNAFORD
Lt. Col.
Deputy Chief Legal Advisor

Copy to:
Executive Commissioner
POLAD (A)
POLAD (B)
AC/4055/L.

SECRET

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13260/2

Confidential

4 December 1945

SUBJECT: Currency issued in Zone "B"
by the Yugoslav Government.

TO : Chief Commissioner

1. I refer to MAT 957 of 2 December, copy attached hereto at Tab "A".

2. AFHQ have apparently taken a decision on the question put to them in your letter 13260/F of 27 November, copy attached hereto at Tab "B", inasmuch as para 4 of MAT 957 states that, providing the situation is unaltered by the time the Italian Government is ready to initiate its currency conversion scheme, it will be suggested to the Government that they may wish to exclude Zone "B" of Venezia Giulia from the currency conversion. If COS agree this view, it is apparently a ruling that the Italian Government need not convert the Yugoslav occupation lire as an obligation under the Armistice Terms.

DOWN GRADED
TO
UNCLASSIFIED

(Signed) B. E. L. TIMMONS

Lt. Col

18

Acting Director

FINANCE SUB-COMMISSION

Incls: 2

Copy to:

Acting Vice President
Economic Section
Deputy Chief Legal Adviser

BILT/sb

13260/2	FINANCE SUB-COMMISSION
CLO	
DCLO	
Chief Clerk	
Section Section	
CL RKS	
4 DEC 1945	

TO : Chief Commissioner

1. I refer to SAT 957 of 2 December, copy attached hereto at tab "A".

2. AFHQ have apparently taken a decision on the question put to them in your letter 13260/F of 27 November, copy attached hereto at tab "B", inasmuch as para 4 of SAT 957 states that, providing the situation is unaltered by the time the Italian Government is ready to initiate its currency conversion scheme, it will be suggested to the Government that they may wish to exclude Zone "B" of Venezia Giulia from the currency conversion. If CCS agree this view, it is apparently a ruling that the Italian Government need not convert the Yugoslav occupation lire as an obligation under the Armistice Terms.

DOWN GRADED
UNCL. COPIED

Incls: 2

Copy to:

Acting Vice President
Economic Section
Deputy Chief Legal Adviser

BELT/sb

(Signed) B. E. L. TIMMONS

Lt. Col

Acting Director

FINANCE SUB-COMMISSION

18

LEGAL SUB-COMMISSION	
CLO	
DCLO	
Chief Counsel	
Italian Section	
CL RKS	
4 FEB 1945	

753

FX 55227

G/4800

2DEC1726A

3DEC1000

AFHQ SIGNED SACMED

ROUTINE

AGWAR WASHINGTON FOR CCS FOR CCAC INFO CABINET OFFICES WHITEHALL
FOR BRITISH CHIEFS OF STAFF ALCOM ROME

Confidential

SECRET.

THIS IS MAT 957.

1. IN VIEW OF ISSUE OF OCCUPATION LIRE BY JUGOSLAV AUTHORITIES IN VENEZIA GIULIA EAST OF MORGAN LINE, AUTHORITY FOR TRANSFER OF METROPOLITAN LIRE FROM BANCA D'ITALIA, TRIESTE, TO BANCA D'ITALIA, FIUME, GRANTED IN TAM 706, HAS BEEN SUSPENDED.
2. DO NOT CONSIDER IT ADVISABLE TO MAKE AVAILABLE ADDITIONAL QUANTITIES OF METROPOLITAN LIRE TO JUGOSLAV.
3. RECOMMENDATION SUBMITTED IN MAT 891 PARA 6 NOW CONSIDERED INADVISABLE.
4. IF SITUATION UNALTERED BY TIME ITALIAN GOVERNMENT READY TO ACT ON CURRENCY CONVERSION SCHEME WILL SUGGEST TO THEM THAT THEY MAY WISH TO EXCLUDE AREA OF VENEZIA GIULIA EAST OF MORGAN LINE FROM AREA TO BE COVERED BY CURRENCY CONVERSION

17

DOWN GRADED
UNCLASSIFIED

AC DIST

ACT - FINANCE S/C
INFO- CHIEF COMMISSIONER
Exec Comm 2
Polad (A)
Polad (B)
Econ Sec
Commerce S/C
File

Col. Inf.
Chief Judicial Officer,
for Chief Civil Affairs Officer,

C O N F I D E N T I A L

13260/F

27 November 1945

SUBJECT: Currency issued in Zone "B"
by the Yugoslav Government.

TO : Assistant Chief of Staff,
G-5 Section,
AFHC.

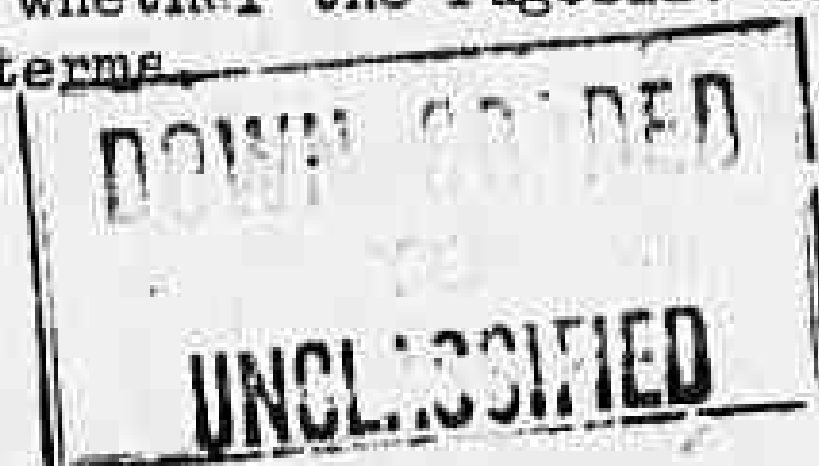
1. I write with further reference to my letter of 3 November 1945, regarding the occupation lira issued by the Yugoslav authorities in Zone "B", Venezia Giulia.

2. Attached hereto are copies of the following documents:

- (a) translation of letter 15/35154/62 of 4 November from the Ministry of Foreign Affairs;
- (b) memorandum 13260/F of 10 November from Finance Sub-Commission to the Chief Legal Advisor, requesting an opinion on the right of the Yugoslav Government under the Armistice Terms to issue an occupation currency and the existence of any obligation on the part of the Italian Government to recognize such currency;
- (c) an opinion by the Legal Sub-Commission.

3. You may wish to consider these additional documents in connection with your study of the entire problem of the Yugoslav occupation lira. With reference to the Italian Government's plans for currency conversion (now scheduled for the Spring of 1946) and the extension of such conversion by AMG to Venezia Giulia (TAM 706 of 23 October 1945, and MAT 891 of 31 August 1945), it will obviously be necessary to decide whether the Yugoslav occupation lira must be converted by the Italian Government as an obligation under the Armistice, or whether the Government is free to make its own decision, considering both political and economic factors. It would therefore appear that the first decision required is whether the Armistice Terms extend to Zone "B" Venezia Giulia, and if so, whether the Yugoslav occupation lira was issued in accordance with such terms.

16



ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner.

Incls: 3

C
O
P
Y

Col. Int.
Chief Legal Advisor
for Chief Commissioner

1014/2

74A

HEADQUARTERS ALLIED COMMISSION
APO 394
Office of Political Adviser (A)

November 28, 1945

TO : Polad (B)
Colonel Hannaford, Legal S/C ✓
SUBJECT: Scope of the Armistice

I have the following comments to make on the attached draft to the Finance Sub Commission:

1. With reference to Paragraph 5, the last line is not clear. Surely AMG administration was "considered" with respect to Zone A, which was created by the two agreements referred to. Certainly AMG is functioning in Zone A at the present time.

2. With reference to Paragraph 6, it would seem that the Italian Armistice terms must be applicable to all Italian territory, including Zone B. Furthermore, these Armistice terms were signed by the Supreme Allied Commander on behalf of the United States, United Kingdom and the USSR, representative of the United Nations. It appears to me therefore, that the observation of the Armistice terms is not only a US-UK responsibility, but a United Nations responsibility shared equally by Yugo-15slavia. Whether she will or will not fulfill her obligations under international law and under the Armistice with respect to Italian territory occupied by her authorities is of course another question.

J. Wesley Jones (ac)
J. Wesley Jones
Political Adviser (A)

JWJ:AC

seen by both
Hannaford
28/11/45

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4014/2/L.

/es
27 November 1945

SUBJECT : Scope of the Armistice.

TO : Finance Sub-Commission.

1. This Sub-Commission has been requested to give its opinion as to whether or not the long ^{terms} of armistice apply to Zone B of Venezia occupied and administered by the Yugoslav Forces.

2. The legal evidence on which such opinion can be based is scanty. It consists of two documents, the Morgan-Jovanovic and the Belgrade agreements. Neither of them refer to the armistice terms as the instrument under which Zone B is administered.

3. The purposes of the High Contracting Parties when these documents were entered into is ^{not} known to this Sub-Commission. The legal position may very well depend on the evidence of intention which may have been expressed by both signatories at the time. To date this evidence has not been made available to this Commission.

4. It must be noted, however, that all material evidence appears to confirm the fact that the Yugoslavs do not consider themselves bound by the armistice terms at least as far as the administration of Zone B is concerned.

Verbal understanding known

5. Furthermore the ~~document known~~ ^{it} as the Caserta agreement, which is understood provided for AMG administration of the whole of Venezia Giulia was unilaterally broken, and eventually replaced by the two instruments above referred where AMG administration is not considered.

6. It is well realized that the Allied Governments are facing the following dilemma - either the armistice terms apply to Zone B and the Allies become responsible for every violation of international law committed by the Yugoslavs or they do not, and in that case the Allies have unilaterally broken an international agreement to which Italy was a party.

7. Before giving a definite opinion on the incomplete evidence in our possession, it is suggested that the matter be referred to A.F.H.Q.

13

G.G. HANNAFORD
Lt. Col.
Deputy Chief Legal Advisor

Copy to:
Executive Commissioner
POLAD (A)
POLAD (B)
AC/4055/L.

RECOMMENDED BY THE COMMISSION
AND THE
LEGAL COUNCIL

73A

/s/

27 November 1945

10/10/45/2/1.

SUBJECT: Scope of the Arbitration.

TO: The Allied Governments.

1. This sub-commission has been requested to give its opinion as to whether or not the long terms of arbitration apply to Zone I of Venezia Giulia and administered by the Regular Forces.

2. The legal evidence on which such opinion can be based is scanty. It consists of two documents, the Long-Term-Forces and the Regular Forces agreements. Neither of them refer to the arbitration terms as the instrument under which Zone I is administered.

3. The purposes of the High Contracting Parties when these documents were entered into is not known to this sub-commission. The legal position may vary well depend on the evidence of intention which may have been expressed by both signatories at the time. As this evidence has not been made available to this Commission.

4. It must be noted, however, that all material evidence appears to confirm the fact that the Regular Forces do not consider themselves bound by the arbitration terms at least as far as the administration of Zone I is concerned. 12

5. Furthermore the document known as the Caserta agreement, which is understood provided for the administration of the whole of Venezia Giulia was originally broken, and eventually replaced by the two agreements above referred where the administration is not considered. it

6. It is well realized that the Allied Governments are facing the following dilemma - either the arbitration terms apply to Zone I by delegation of authority under the provision and the Allies become responsible

for every violation of international law committed by the Japanese or they do not, and in that case the allies have unilaterally broken an international agreement to which Italy was a party.

7. Before giving a definite opinion on the incomplete evidence in our possession, it is suggested that the matter be referred to A.P.H.

C. J. HUGHES
Lt. Col.,
Deputy Chief Legal Advisor.

Copy to :

Executive Committee
MEMO (a)
POLAR (a)
12/10/41.

11

13260/P

November 1945

SUBJECT : Currency issued in Zone "B"
by the Yugoslav Government.

TO : Assistant Chief of Staff,
G-5 Section,
AFHQ.

1. I write with further reference to my letter of 3 November, 1945, regarding the occupation lira issued by the Yugoslav authorities in Zone "B", Venezia Giulia.
2. Attached hereto are copies of the following documents:
- (a) translation of letter 15/25154/62 of 4 November from the Ministry of Foreign Affairs;
 - (b) memorandum 13260/P of 10 November from Finance Sub Commission to the Chief Legal Adviser, requesting an opinion on the right of the Yugoslav Government under the Armistice Terms to issue an occupation currency and the existence of any obligation on the part of the Italian Government to recognize such currency;
 - (c) an opinion, and addendum thereto by the Legal Sub-Commission.
3. You may wish to consider these additional documents in connection with your study of the entire problem of the Yugoslav occupation lira. With reference to the Italian Government's plans for currency conversion (now scheduled for the Spring of 1946) and the extension of such conversion by AMG to Venezia Giulia (TAM 706 of 23 October, 1945, and MAT 891 of 31 August, 1945), it will obviously be necessary to decide whether the Yugoslav

- 2 -

occupation lira must be converted by the Italian Government as an obligation under the Armistice, or whether the Government is free to make its own decision, considering both political and economic factors. It would therefore appear that the first decision required is whether the Armistice Terms extend to Zone "B" Venezia Giulia (see Addendum to the Deputy Chief Legal Adviser's opinion). If so, an investigation could then be made into the points raised in paras 5, 6, 8 and 9 of the legal opinion.

EMERY W. STONE,
Rear Admiral, USNR,
Chief Commissioner.

LEGAL SUB-COMMISSION	
CLO	
DCLO	
Chief Counsel	
CJO	
Italian Section	
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26 NOV 1945	

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MINISTERO DEGLI AFFARI ESTERI

No. 15/25154/62

Rome, 4 November 1945

Dear Admiral Stone,

I wish to call your attention to a new initiative taken by the Yugoslav authorities in the zone of the Venezia Giulia under their control, an initiative obviously very detrimental to the interest of the population and, on the whole to the economic situation of the district.

I am referring to the issuance of a new occupation paper currency, forcibly imposed as unredeemable tender, and already put into circulation for an amount - it is said - of over one billion lire, - all Italian currency having previously been withdrawn.

A communique published in the Trieste Press states that the Allied Authorities have decided not to allow this money to circulate outside the Yugoslav occupation zone. This leads to the belief that said paper currency was issued without the Allied Authorities consent and that its issuance should therefore be deemed as being absolutely arbitrary and clearly exceeding the powers conferred upon Yugoslavia as an occupying country.

The people are now exasperated by this new imposition which completely disregards their rightful interests and it is feared that serious disturbances may occur. It has been reported to this Ministry of Foreign Affairs that the workers of the Capodistria ship-yards are on a general strike since October 30th, to protest the above mentioned provision.

Believe me, dear Admiral STONE

Very sincerely yours
(signed) PrunasAdmiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome.

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

GCH/eap

AC/LOLL/2/L

15 November 1945

SUBJECT: Currency issued in Zone B by the Yugoslav Government.

TO : Finance Sub-Commission

1. Reference your 13260/P of 10 November 1945 and enclosures.
2. Clause 23 specifies in no uncertain terms that the "Italian Government will withdraw and redeem in Italian currency all holdings in Italian territory of currencies issued by the United Nations during occupation".
3. Yugoslavia occupying Zone B has therefore the right to expect, under the Armistice Terms, the exchange of the currency issued by her against Italian lire.
4. It is realized that at the time the armistice was signed the occupation of Venezia Giulia by the Yugoslavs was not contemplated. However, as this instrument was entered into by the United States and Britain on behalf of the United Nations, Yugoslavia, as soon as she became an occupant, became "ipso facto" entitled to derive the full benefit of its terms.
5. Whether Yugoslavia has broken a later pledge or not is a fact on which this Sub-Commission has no official knowledge, but under International Law it can be stated that if the issue is not justified by urgent economic difficulties, the Yugoslav authorities are exceeding the powers which are legally vested in the occupant under existing conventions.
6. Issuing regional currencies in occupied territory by the occupant, is not an abnormal step. What is abnormal is to expect the occupied State to redeem an issue of currency, the amount of which may far exceed its possibilities of repayment.

7. As you are well aware the gravest complications arise, not so much from the issue and use of various types of currency, but from the fictitious valuations used or enforced in the exchange of money or goods.

8. Unless it can be established that without the issue of a reasonable amount of new currency the economic life of the occupied country would come to a standstill, there is no legitimate reason why an occupant should replace the local currency by a new one, and enforce its use not only for his own payments, but also for payment among inhabitants.

9. In the absence of a special justification of this kind, such issue of currency might amount to a fundamental change in institutions, which is prohibited under the Hague Regulations.

(Signed) G.G. Hannaford
G.G. HANNAFORD, Lt. Col.
Deputy Chief Legal
Advisor.

Copy to:

C.F.A.
POLAD (A)
POLAD (B)

Addendum to this Sub-Commission's AC/LOLL/2/L of 15 Nov. on the subject of the Currency issued in Zone B by the Yugoslav authorities.

1. The opinion of this Sub-Commission is based on the assumption that Zone B is still Italian territory and that therefore the armistice

2. Clause 23 specifies in no uncertain terms that the Italian currency all holdings in Italian territory of withdraw and redeem in Italian currency during occupation".

3. Yugoslavia occupying Zone B has therefore the right to expect, under the Armistice Terms, the exchange of the currency issued by her against Italian lire.

4. It is realized that at the time the armistice was signed the occupation of Venezia Giulia by the Yugoslavs was not contemplated. However, as this instrument was entered into by the United States and Britain on behalf of the United Nations, Yugoslavia, as soon as she became an occupant, became "ipso facto" entitled to derive the full benefit of its terms.

5. Whether Yugoslavia has broken a later pledge or not is a fact on which this Sub-Commission has no official knowledge, but under International Law it can be stated that if the issue is not justified by urgent economic difficulties, the Yugoslav authorities are exceeding the powers which are legally vested in the occupant under existing conventions.

6. Issuing regional currencies in occupied territory by the occupant, is not an abnormal step. What is abnormal is to expect the occupied State to redeem an issue of currency, the amount of which may far exceed its possibilities of repayment.

7. As you are well aware the gravest complications arise, not so much from the issue and use of various types of currency, but from the fictitious valuations used or enforced in the exchange of money or goods.

8. Unless it can be established that without the issue of a reasonable amount of new currency the economic life of the occupied country would come to a standstill, there is no legitimate reason why an occupant should replace the local currency by a new one, and enforce its use not only for his own payments, but also for payment among inhabitants.

9. In the absence of a special justification of this kind, such issue of currency might amount to a fundamental change in institutions, which is prohibited under the Hague Regulations.

(Signed) G.G. Hannaford
G.G. HANNAFORD, Lt. Col.
Deputy Chief Legal
Advisor.

Copy to:
C.F.A.
POLAD (A)
POLAD (B)

Addendum to this Sub-Commission's AC/4014/2/L of 15 Nov. on the subject of the Currency issued in Zone B by the Yugoslav authorities.

1. The opinion of this Sub-Commission is based on the assumption that Zone B is still considered by all parties concerned as Italian territory and that therefore the armistice terms apply as they do in the rest of Italy and even in Zone A.

2. It is however a fact that the Yugoslav authorities are hardly ever making use of the machinery set up by the armistice terms unless it suits their books to do so.

3. Before any coherent legal opinion can be given as to the legality of various steps taken by the Yugoslavs, it is essential that the correct status of Zone B be officially defined - and whether "de jure" and "de facto" the armistice terms, and consequently Allied proclamations and orders, are enforceable in that Zone.

Copy to: C.F.A.
Polad (A)
Polad (B)

(Signed) G.G. Hannaford
G.G. HANNAFORD
Lt. Col.
Deputy Chief Legal Advisor

CONFIDENTIALURGENTHEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13260/F

10 November 1945

SUBJECT : Currency issued in Zone B
by the Yugoslav Government.TO : Director,
Legal Sub-Commission.

1. I attach hereto copies of the following documents:
 - (a) letter 130/AMG/FIS/O/2 of 25 October, from Chief Finance Officer, AMG Venezia Giulia, with enclosures
 - (b) Chief Commissioner's letter 13260/F of 3 November, to G-5, AFHQ
 - (c) Note No. 15/26154/62 of 4 November to the Chief Commissioner from the Ministry of Foreign Affairs.
2. The Chief Commissioner has requested that the action of the Yugoslav Government in issuing an occupation lira in Zone "B", Venezia Giulia, be considered from the legal point of view - may such action be taken by the Yugoslav Government under the terms of the Italian Armistice, particularly clause 23, and is the Italian Government obligated to recognize and withdraw, in exchange for Italian lire, such Yugoslav occupation lire?
3. I should be grateful for an early opinion. The full facilities of Finance Sub-Commission are at your disposal for further information or consultation.

Confidential

Col. Inf.
Chief Judicial Officer,
for Chief Civil Affairs Officer.Director,
Finance Sub-Commission.

Encls.

BELT/ar.

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4014/2/L.

24 November 1945

SUBJECT : Scope of armistice terms.

TO : Finance Sub-Commission

1. You have requested the opinion of this Sub-Commission on the following points:

- a) Does the armistice terms apply to Zone B of Venezia Giulia at present under Yugoslav administration.
- b) Is the issue of one billion liras of new currency effected by the Banco del Friuli legal and is the Italian Government responsible for redeeming such issue.

2. You will find enclosed our answer to these two questions.

3. It is pointed that the answer to your first question is not based on any point of law, but merely on facts as they are known to this Sub-Commission.

G.G. HANNAFORD,
Lt. Col.,
Deputy Chief Legal Advisor.

Copy to: Executive Commissioner
AC/4055/L.
POLADS (A) and (B).

A. - STATUS OF ART. II*under existing agreement*

The opinion of this Sub-Commission is requested as to whether the terms of the armistice can be considered as applying to the whole of Italian territory, whether they apply also to territories under Yugoslav military administration or whether such territories come under a separate and independent form of military administration.

By Italian territory is understood the borders of the Kingdom of Italy as internationally recognized before the entry of Italy in the war in June 1940.

(a) - Some of the armistice terms

1. The document known as the "Long terms of the armistice" was signed at Malta on 29 September 1943 by the United States, United Kingdom and Soviet Governments "acting on behalf of the United Nations" on the one side and the legitimate and constitutional Government of Italy represented by its head, Marshal Badoglio, on the other.
2. At the time of signing this instrument was considered by both parties as applying to the whole of the Italian continental territory; coming under the "de jure" jurisdiction of the legitimate government of the Kingdom of Italy.
3. Under the armistice the United Nations acquired certain rights and the Italian Government assumed certain duties. In order to ensure observance of these rights and to make sure that the Italian Government fulfilled its duties a machinery was created and a process was devised by which the Allied Commission became the supreme enforcing authority through an "Allied Commission representative of the United Nations charged with regulating and executing this instrument under the orders of the C in C." (Arts. 3, 4, 6, 7 etc. arts. 33, 34, 36, 37 and 38 of armistice terms refer).
4. Therefore it stands to reason that as the Allied troops under the Direct Command of SACRED (new designation for the Allied C in C) gradually overran other parts of Italy, the armistice terms became enforceable in newly occupied territories through the machinery and process devised in the instrument itself. Therefore in these territories SACRED, AC and their delegates were the only legitimate Allied authority which the Italian authorities were asked to acknowledge.

(b) - Situation in Venezia Giulia

5. This Sub-Commission has no official knowledge of the military circumstances under which the Yugoslav Forces occupied part of Venezia Giulia and whether such occupation took place under direct orders from SACRED or not.

By Italian territory is understood the borders of the Kingdom of Italy as internationally recognized before the entry of Italy in the war in June 1941.

(a) - Some of the armistice terms

1. The document known as the "Long Terms of the armistice" was signed at Malta on 29 September 1943 by the United States, United Kingdom and Soviet Governments "acting on behalf of the United Nations" on the one side and the legitimate and constitutional Government of Italy represented by its head, Marshal Badoglio, on the other.
2. At the time of signing this instrument was considered by both parties as applying to the whole of the Italian continental territory, existing under the "de jure" jurisdiction of the legitimate government of the Kingdom of Italy.
3. Under the armistice the United Nations acquired certain rights and the Italian Government assumed certain duties. In order to cancel observance of these rights and to make sure that the Italian Government fulfilled its duties a machinery was created and a process was devised by which the Allied C in C became the supreme enforcing authority through an "Allied Commission representative of the United Nations charged with regulating and executing this instrument under the orders of the C in C." (arts. 3, 4, 6, 7 etc. arts. 33, 34, 36, 37 and 38 of armistice terms refer).
4. Therefore it stands to reason that as the Allied troops under the direct command of SACREN (new designation for the Allied C in C) gradually overran other parts of Italy, the armistice terms became enforceable in newly occupied territories through the machinery and process devised in the instrument itself. Therefore in these territories SACREN, AC and their delegates were the only legitimate Allied authority which the Italian authorities were asked to acknowledge.

(b) - Situation in Venezia Giulia

5. This Sub-Commission has no official knowledge of the military circumstances under which the Yugoslav Forces occupied part of Venezia Giulia and whether such occupation took place under direct orders from SACREN or not. It is, however, the opinion of this Sub-Commission that such facts can in no way affect the legal position as it has developed to date.
6. In May 1945 the Yugoslav Forces of Tito occupied the greater portion of the Italian provinces of Friuli, Udine, Trieste and Gorizia up to and including

the city of Trieste. The Jugoslav did not consider that such occupation was being effected under the terms of the Italian armistice, but by right of conquest and to comply with the wish of the local population which, it was alleged, was anxious to secede from the Italian Regia. Tomasevic's letter of 15 June referred.

7. Before that date a series of Complaints were entered into by both the Alien and the Yugoslavs in order to delimit the areas of Veneto Giulia which would be administered by all and the Yugoslavs respectively. These agreements known as the Morgenthau-Yugoslav agreement and the Belgrade agreement divide Veneto Giulia in two zones; Zone A under US; Zone B under the Yugoslav administration.

(c) - Jugoslav point of view

own of such an organization and that the religious activities of that group will be to the detriment of the religious activities of the group.

9. That the Jugoslavs consider that the practice tends do not apply to territories under their administration and not even to the part of Venezia Giulia under AMG is further proved by the memorandum of the Yugoslav delegation to the Allies asking that in Zone A "the old system of the Italian administration should not be renewed."

This contention has been officially voiced by representatives of the Bolshviki Government on a number of occasions. Furthermore, they have never referred to the Arbitration terms in order to justify their admitted active action in case B.

10. Not only has Yugoslav administration ignored the armistice, but their local authorities have on a number of occasions violated all principles of military occupation by imposing direct governance on the people of zone B acting as if that area had already been a part of Yugoslavia.

11. Among such violations can be cited the refusal to render executive in some 3 decisions of the Court of Appeal of Trieste given before their occupation, seizure of all notarial archives and dissolution of notaries, establishment of Jugoslav Civil Courts, trials of Italian officials of Pola by a Jugoslav Military Court at Rijeka etc.

(A) - Altered point of view

12. Is ^{as} may can be ascertained from available documents it is clear that if the 'lies are of opinion that Zone B is still

(c) - Jugoslav print of zone

6. That the Jugoslavs consider that the administration of Zone II was their sole responsibility (and not carried out on behalf of the United Nations) that Safford accepted their point of view is clearly established by para 7 of the Belgrade agreement which reads "the military occupation and administration by Jugoslavs of parts of Venezia Giulia east of the line in no way prejudicial or affects the status of the whole of that area."

9. That the Jugoslavs consider that the armistice terms do not apply to territories under their administration and not even to the part of Venezia Giulia under IIC is further proved by the recognition of the Yugoslav delegation to the Allies asking that in Zone A "the old system of the Italian administration should not be restored."

This contention has been officially voiced by representatives of the Belgrade Government on a number of occasions. Furthermore Yugoslav authorities have never referred to the armistice terms in order to justify their administrative action in Zone II.

10. Not only has Yugoslav administration ignored the armistice, but their local authorities have on a number of occasions violated all principles of military occupation by imposing direct government on the people of Zone II acting as if that area had already become part of Yugoslavia.

11. Among such violations can be cited the refusal to render executive in Zone II decisions of the Court of Appeal of Trieste given before their occupation, seizure of all notarial archives and dismissal of notaries, establishment of Yugoslav Civil Courts, trials of Italian officials of Pola by a Yugoslav Military Court at Trieste etc.

(d) - Alleged print of view

12. As far as can be ascertained from available documents it is clear that if the Allies are of opinion that Zone II is still under the military administration of Yugoslavia and is not part of her territory, the enforcement of the armistice terms in that zone has never been contemplated by them.

13. There is no suggestion in any of these documents that Safford has delegated his powers under the armistice to the Yugoslav authorities. In a

author of that General Morgan's memorandum of 16 June 1945 sets out that in Art. 1 of Proclamation N. 1 states that all powers of Government and jurisdiction in those parts of Venezia Giulia occupied by Allied Forces are vested solely in SMI."

14. Proclamation N. 1 has not been posted in Zone II where proclamation and orders are issued by the Yugoslav authorities on behalf of the Belgrade Government (currency order etc. refer). Therefore the authority of SMI to exercise and, eventually, delegate his powers has never been established in that Zone.

(c) -- Conclusion

15. It is therefore the opinion of this sub-commission that the aforesaid terms do not apply either "de jure" or "de facto" to the Zone of Venezia Giulia under Yugoslav administration and furthermore that it has never been the intention of the parties concerned that they should.

16. By way of consequence the administration of Zone II of Venezia Giulia by Yugoslavia is governed solely by the relevant rules of international law of military occupation (Hague Convention 1907 arts 42 to 56 incl.) --

NOTE - The violation by Yugoslavia of the earlier Geneva agreement tends to confirm the opinion of this sub-commission.

2. - ISSUE OF CURRENCY BY THE JUGOSLAV AUTHORITIES.
RESPONSIBILITY OF THE ITALIAN GOVERNMENT.

The questions put to this Sub-Commission are

- (a) Is the issue of new currency by the Yugoslav authorities in Zone B of Venezia Giulia legal.
- (b) If so, is the Italian Government compelled to redeem such issues under the armistice terms or under international law.

1. Issuing new regional currencies in occupied territory by the occupant, is not an abnormal step. However, it is only authorized when the ordinary regional currency is inadequate and it is deemed inadvisable by the occupant to expose his own currency to further strain.

2. As you are well aware the gravest complications arise, not so much from the issue and use of various types of currency, but from the fictitious valuations used or enforced in the exchange of money or goods.

3. Unless it can be established that without the issue of a reasonable amount of new currency the economic life of the occupied country would come to a standstill, there is no legitimate reason why an occupant should replace the local currency by a new one, and enforce its use not only for his own payments, but also for payments among inhabitants.

4. In the absence of a special justification of this kind, such issues of currency might amount to a fundamental change in institutions, which is prohibited under the Hague Regulations.

5. As stated in our previous opinion it does not appear from either facts or documents that the armistice terms apply to Zone B and consequently Art. 25 (Financial provisions) of this instrument "ipso facto" does not apply either.

6. Under international law the question of redeeming an issue of new currency is generally decided at the Peace Treaty, but is not automatically the responsibility of the occupied State.

There is no doubt that an occupant can validly obligate himself, but he cannot validly burden the Treasury of the occupied State with new and excessive liabilities.

7. This is especially true of Zone B which will in all probability cease to be part of the Italian State. The Yugoslavs could only claim the refund of a reasonable issue of new currency at the Peace Treaty as part of their cost of occupation or under the general heading of reparations.

Letter
of
15 Nov. 45.

1019

1. Issuing new regional currencies in occupied territory by the occupant, is not an abnormal step. However, it is only authorized when the ordinary regional currency is inadequate and it is deemed inadvisable by the occupant to expose his own currency to further strain.

2. As you are well aware the gravest complications arise, not so much from the issue and use of various types of currency, but from the fictitious valuations used or enforced in the exchange of money or goods.

3. Unless it can be established that without the issue of a reasonable amount of new currency the economic life of the occupied country would come to a standstill, there is no legitimate reason why an occupant should replace the local currency by a new one, and enforce its use not only for his own payments, but also for payments among inhabitants.

4. In the absence of a special justification of this kind, such issue of currency might amount to a fundamental change in institutions, which is prohibited under the Hague Regulations.

5. As stated in our previous opinion it does not appear from either facts or documents that the relative terms apply to Zone B and consequently Art. 23 (Financial provisions) of this instrument "inso far as" does not apply either.

6. Under international law the question of issuing an issue of new currency is generally decided at the Peace Treaty, but is not automatically the responsibility of the occupied State.

There is no doubt that an occupant can validly obligate himself, but he cannot validly burden the Treasury of the occupied State with new and excessive liabilities.

7. This is especially true of Zone B which will in all probability cease to be part of the Italian State. The Japanese could only claim the refund of a reasonable issue of new currency at the Peace Treaty as part of their cost of occupation or under the general heading of reparations.

Letter
of
15 Nov. 45.

1020