

Declassified E.O. 12356 Section 3.3/NND No. 785015

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10000/100/987

15 pp.

Declassified E.O. 12356 Section 3.3/NND No. 785015

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INDUSTRY & COMMERCE, RESOURCES,  
FILE NO. 312.11  
NOV. 1943 - JAN. 1944

15 pp.

P.O.  
312.11  
Col. ~~Belknap~~

Koon M

1. You will wish to see  
the comments on the  
"ARMCO" proposals made  
by  
a) Industrial Planning  
Staff.  
b) Industry + Commerce  
Sub. Commission.

2. Would you return the  
papers after perusal  
please. 4593

to Dafford White  
Major  
Gt.

12 JAN.

Noted - Many thanks -  
B. F. Belknap  
Col. Gt.



HEADQUARTERS  
ALLIED MILITARY GOVERNMENT

BUCK SLIP

12/1/44  
Date

Sus: \_\_\_\_\_  
Date

FROM	TO
<input type="checkbox"/> C.G. AMG	
<input type="checkbox"/> C. of S.	
<input type="checkbox"/> Exec Off	
<input checked="" type="checkbox"/> Economic Director	<i>(1) J. H. [unclear]</i>
<input type="checkbox"/> Industry & Commerce	
<input type="checkbox"/> Fuel	
<input type="checkbox"/> Agriculture	
<input type="checkbox"/> P. W. & Utilities	
<input type="checkbox"/> Labor	
<input type="checkbox"/> Interior	
<input type="checkbox"/> Information	
<input type="checkbox"/> Public Health	
<input type="checkbox"/> Legal	
<input type="checkbox"/> Public Safety	
<input type="checkbox"/> Property Control	
<input type="checkbox"/> Education	
<input type="checkbox"/> Fine Arts	
<input type="checkbox"/> Shipping	
<input type="checkbox"/> Internal Transportation	
<input type="checkbox"/> Telecommunications	
<input type="checkbox"/> Hq. Commandant	
<input type="checkbox"/> C of Secretariat	
<input type="checkbox"/> Message Center	
<input type="checkbox"/> G-1	
<input type="checkbox"/> G-4	
<input type="checkbox"/> Displaced Persons	
<input type="checkbox"/> Adjutant	
<i>Cal. Spofford</i>	<i>(2)</i>
<input checked="" type="checkbox"/> Industrial Planning	

FOR:

- ☒ Recommendation & Remark
- ☐ Information & Guidance
- ☐ Approval or Disapproval
- ☐ Necessary Action
- ☐ Investigation & Report
- ☐ To note and return
- ☐ File
- ☐ Dispatch

REMARKS:

HEADQUARTERS  
ALLIED MILITARY GOVERNMENT  
INDUSTRY & COMMERCE SUB-COMMISSION  
APO 394

WJM/jf1

AMG/5065/IO

11 January, 1944

SUBJECT: Steel Production in Italy

TO : Industrial Planning Staff

1. Your memo of 7 Jan. 44 refers.
2. The suggestions contained in ARMCO's letter of 6 Nov. 43 addressed to Col. Clabaugh are based on calculations which the operations of the campaign in Italy have reduced practically to nothing.
3. It is certain that, on any policy which can be today foreseen, no possibility exists for wholesale rehabilitation of steel plants. This for lack of the following:
  - a. Cement, bricks, tiles, asbestos cement, glass - and lack of raw materials, fuel and electric power to produce them.
  - b. Transportation for a.
  - c. Transportation for fuel to produce the items mentioned in a.
  - d. Transportation for steel for constructional purposes, which cannot at the moment or in the near future be produced or made available in Italy.
  - e. Hydro-electric energy, at present a critical question.
4. This Sub-Commission concurs with the conclusions outlined in your letter under reply: the operations outlined by ARMCO would not appear to fall within the scope of AMG/ACC.

*John F. Evans*  
W. P. EVANS  
Colonel

Director, Industry & Commerce  
Sub-Commission



HEADQUARTERS  
ALLIED MILITARY GOVERNMENT  
Industrial Planning Staff.

RAM/ln

7 January 1944

SUBJECT : Steel Production in Italy.

TO : Industry & Commerce Sub-Commission.

1 . Attached hereto are copies of correspondence relating to subject matter. These are forwarded for your comments for discussion with Col. Spofford.

2 . Consideration has been given to the proposal set forth in ARMCO'S letter of 6 Nov. 1943 relative to rehabilitation of steel plants in territory now occupied by Allied Forces.

3 . In the light of the present situation with respect to condition of a number of plants and the problems involved in obtaining raw materials, power, transportation and financing, it is not believed feasible to carry out ARMCO'S proposal at this time. Moreover, it is assumed that there are competent civilian engineers in the occupied area and engineers can be found within the Armed Forces capable of directing the operation of steel plants in the event that the exigencies of the situation require the operation of some plants.

4 . With reference to ARMCO'S proposals relative to post-war rehabilitation of steel plants located in present enemy occupied territories, this is a matter which is beyond the scope of military administration and should be referred to the Office of Foreign Economic Administration, Washington, D.C., which is currently concerned with post-war rehabilitation problems.

5 . It is recommended, therefore, that no immediate action be taken with respect to ARMCO'S proposals pending further developments as to the necessity for the utilization of steel plants by the Armed Forces, and also pending future studies to determine the advisability of reconstructing certain plants as to time and money involved, and the availability of raw materials, power, and transportation.

For the Industrial Planning Staff,

Inclosures:

- 1 Memo AFHQ-MGS 5 Dec. 43
- 1 Memo to CINC - 13 Nov. 43
- 1 Ltr. fr. Maj. Gen. Hilldring 12 Nov. 43
- 1 Ltr. fr. ARMCO 6 Nov. 43

FRED M. REITER  
Lt. Colonel  
Senior Staff Officer

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ALLIED FORCE HEADQUARTERS  
Military Government Section

LB/CHR/mit

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5 December 1943

SUBJECT: Steel Facilities - Sicily, Italy.

TO : HQ, Armistice Control Commission  
(Attention: Brig. Gueterbock)

1. Attached correspondence is forwarded for information and consideration.

2. The officer referred to in para 3 of covering letter is Col. Clabaugh, who will be visiting you in due course.

*J. E. Butterworth*  
J. E. BUTTERWORTH  
Colonel, Infantry  
Economics & Supply Div.

Incls.

1. Ltr C/S, Civil Affairs Div., Washington, to C-in-C, Allied Forces. of 13 Nov 1943 with attachments.



**SECRET**

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13 November 1943

MEMORANDUM FOR THE COMMANDER-IN-CHIEF  
Allied Forces  
APO 512, c/o Postmaster  
New York, New York

Attention: Military Government Section

Subject: Attached copy of letter from Armco  
International Corporation re Steel  
Production in Italy

1. The attached copy of a letter from the Armco International Corporation is referred to you for consideration and decision. A copy of this Division's reply to Armco is also submitted for your information.

2. No detailed information has been received in this Division relative to rehabilitation of steel facilities in Sicily and Italy. Your cable message No. W 4244/6260 (LAC 7) dated 4 Nov 43, referred to 20,000 two-ton iron ingots found in Sicily and requested instructions as to their disposal. This inquiry was referred to the Combined Civil Affairs Committee, which replied in our number 2212 (CAL 29) dated 10 Nov 43, to the effect that the condition of domestic steel plants should be investigated with a view to using the iron in local production. No report has yet been received on the results of this investigation. It is believed that the Armco proposals merit serious consideration in connection with whatever program you have for the rehabilitation of local facilities.

3. An officer of this Division is expected to leave for the Theatre shortly for the purposes outlined in our cable number 2324 dated 11 Nov 43. He is being given copies of this letter together with the Armco correspondence and it is expected that he will discuss this matter in detail with representatives of your staff. It is requested that your decision on the Armco proposals be deferred until this officer has arrived in the Theatre.



J. H. HILLDRING  
Major General  
Chief, Civil Affairs Division

2 Incls:  
Ltr. fr. Armco 8 Nov 43  
Ltr. this offc. 12 Nov 43

**SECRET**

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12 November 1943

The Armco International Corporation  
Middletown, Ohio

Attention: Mr. E. A. Emerson, President

Gentlemen:

Your letter of November 6, 1943, addressed to Colonel S. F. Clabaugh of this Division, has been received and the proposals contained therein are currently being studied. A copy of the letter is being sent to the Theater Commander for his information and for consideration by the appropriate members of his staff. An effort is being made to effect proper utilization of such productive facilities as are of value to the occupying forces.

It is suggested, inasmuch as the War Department is concerned only with the initial period of military administration, that that part of your proposals which concerns Post War Rehabilitation be brought to the attention of the Office of Foreign Economic Administration, Washington, D. C., which is charged with U. S. responsibility for economic affairs subsequent to the period of military administration. It probably would be helpful in this connection to advise the OFEA of the contents of your letter to us.

Your cooperation in this matter is very much appreciated and you will be advised as soon as possible concerning the Theater Commander's decision with regard to your proposals.

Sincerely,

J. H. HILLDRING  
Major General  
Chief, Civil Affairs Division

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FORM G-1656 REV. 3-43 100M

Confirmation  
or  
Copy to:

**ARMCO**  
MIDDLETOWN, OHIO

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November 6, 1943

Colonel S. F. Clabaugh  
Civilian Affairs Division  
War Department  
Room 3-C-859  
Pentagon Building  
Washington, D.C.

Dear Colonel Clabaugh:-

Confirming conversation which Mr. W. L. Allen and I had with you on October 30th, our company has for years been engaged in Engineering, Management and Operation-Consulting in a great number of countries throughout the world, including all of the countries of Continental Europe. Accordingly it has appeared to us that this experience may in some way be of value to our Government during (a) partial or complete occupation of European countries by United Nations Armed Forces, or (b) in the reconstruction of European countries under the direction of United Nations officials.

In order that you may adequately appraise the manner in which our services could be used, it is appropriate to explain that -- for a number of years prior to World War One, and immediately following that war, a number of steel companies in Europe were licensed by us to produce certain materials by patented processes which we controlled. This included the supplying of technical and sales assistance by us, provided through experts trained in these processes in the United States plants of our Parent Company. This activity was later expanded to include consultation work with respect to a great variety of steel operations, including in some cases the complete responsibility for management. It was also expanded to include actual participation by us in the ownership of a number of companies.

In furtherance of these activities we have maintained offices in London, Paris, Cologne and Genoa, where there were associated with our American officials, Nationals of various European countries. The Americans were selected from the Parent Company in the United States and the Nationals were selected for their specialized technique or commercial knowledge of a given country, supplemented by training in the United States operations. Thus, at the beginning of this war our company was organized in a very comprehensive manner to deal with all phases of the steel business in every country in Europe. Many of the Nationals of our foreign offices are now in the Armed Forces of their respective countries, while others are still carrying on, after a fashion, previous activities of our company, even in occupied countries. The Americans have all returned to this country and have been for the

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FORM G-1636 REV. 3-43 100M

Confirmation  
or  
Copy to:

**ARMCO**

MIDDLETOWN, OHIO

Colonel S F Clabaugh

-2-

November 6, 1943

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most part temporarily assimilated in our other operations. Thus, we have available Americans who have wide knowledge of steel operations in Europe and who, through their years of contact, have a wide acquaintanceship with the personnel of practically every steel company in Europe. Moreover, in many cases, as the Armed Forces move into countries now occupied by the enemy, it may be possible for us to re-assemble Nationals of that country, who were heretofore part of our organization in that country.

I, of course, will not presume to suggest just exactly how this unique organization can be utilized by our Government, but will indicate under three categories plans which may be helpful to you in your consideration of this matter. Toward this end I will select Italy as an example, and ask you to be mindful of the fact that any of the proposed plans would be equally feasible in any or all other countries in Europe. In fact, in the case of most of the other countries our ability to assist would be much greater than is true in Italy, for the reasons that will hereinafter be explained.

ITALY

From our review of newspaper articles it would appear that our Armed Forces are now in complete or partial control of a part of Italy where there were located prior to the war the following steel operations:

Ardore - Ferro-alloy plant of Lombarda Falck. In 1940 had plans to erect electrical furnaces for pig iron.

Bagnoli - Two ferro-alloy plants - one of S.A. "Terni" and one of S.A. "Ilva";

Integrated steel plant of S.A. "Ilva" - 3 small blast furnaces; five 60-ton Open Hearth furnaces; 1 Blooming Mill; 2 structural shape mills.

Bari - S.A. Acc. e Ferr. Pugliesi - electric steel furnaces; small rolling mills.

Other and more important steel operations are in the territory to the North.

We, of course, have no knowledge of the extent to which the aforementioned plants have been demolished, but from our prewar knowledge of these plants believe that some semblance of prompt rehabilitation may be practical. If so, it would be our thought that they be brought back into operation for the production of steel in the form most usable by the Armed Forces during continued combat service. This might include steel in the form of structurals.

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FORM G-1656 REV. 3-43 100M

Confirmation  
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Copy to:

**ARMCO**  
MIDDLETOWN, OHIO

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Colonel S F Glabaugh

-2-

November 6, 1943

Reinforcing Bars, or Merchant Bars and Small Shapes, for maintenance of war equipment.

It is also possible that our Army Engineers would prefer that such steel be supplied to United States standards as to profile and physical properties, perhaps differing somewhat from the previous production in that plant. Within certain limitations it would be feasible for us to quickly determine exactly the changes required in roll design that would enable that product to be supplied to the desired standards - thus simplifying perhaps the problems of the Army Engineers.

It is conceivable that the Army Staff now includes many men familiar with the steel business but who yet might not have all of the technical training essential to determinations of the above mentioned character. Our foreign operations have required the combining of a great number of technical skills in one man because it was impractical always to justify a number of specialized technicians. Accordingly there is undoubtedly to be found within the personnel of our organization a single man, or a small group of men, who could quickly appraise all of the problems incident to bringing these units back into operation, who would also be capable of directing the Italian management and workers in pursuance of such a plan. Moreover the acquaintance of our organization with those who were engaged in the steel industry prior to the war would enable us to quickly appraise the ability of any specific official now to be found on the property - or an official or technician of that particular company who would be better suited to carry on the work at this time, even though such personnel were temporarily engaged in some activity in some other part of Italy.

Therefore, it appears to us that we are justified in offering to our Government assistance classified in the following three categories:

Consulting Advice

If it were desired, we would endeavor to select from our organization one man, or a small group of men, to be sent out into the field for consultation with your staff officers with respect to any problem of this character now confronting them and, without becoming part of that Staff, to be of any assistance found practical.

Immediate Rehabilitation

If as a result from the first conference we were asked to organize a civilian personnel to operate under the direction of the Army Staff, we would undertake to supply such civilian personnel capable of assuming responsibility for the following:

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FORM G-1855 REV. 3-43 100M

Confirmation  
of  
Copy to:

**ARMCO**  
MIDDLETOWN, OHIO

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Colonel S F Clabaugh

November 6, 1943

1. Inspection of each plant as it came within territory occupied by United Nations Forces.
2. Engineering changes incident to rehabilitation.
3. Supervising Italians in carrying out that rehabilitation.
4. Selecting Italian personnel to operate such plant.
5. Directing the operations of that plant in conformity with Army Directives and to serve military purposes.
6. Setting up a procedure which would insure maximum production and scheduling of that production to conform with the needs of our Armed Services.

It may be appropriate to direct your attention to the fact that our engineers have been trained to utilize the materials and machinery of a given country in the construction of steel mills. If, however, proper materials were not available in that country, our domestic organization in the United States is familiar with the materials and machinery available in this country that will have the least impact on current war efforts, and the procedure for expediting these materials or parts through the manufacturing processes of United States industries, in compliance with United States Governmental regulations. I might also reiterate that it is frequently possible to machine a set of rolls for a given mill to produce the desired profile or shape in place of a shape previously rolled on that particular mill. Our roll designers could quickly determine the extent to which such substitutions were practical.

Postwar Rehabilitation

As the Armed Forces move into and become in possession of a given country and when it is desirable to bring about normal operations of the steel industry of that country, we would be in position to negotiate a contract with appropriate parties for supplying any increment of or total management of a character which would insure carrying out those operations in compliance with any plan of the United Nations for the general economy of that country, and any plans for relating the economy of one country to that of other countries. We would undertake to organize such efforts for each country as it falls within this category.

We are prompted in presenting the foregoing suggestions by our keen desire to be of any help that will accelerate Victory. The matter of fees for efforts falling within the first category need not be given any consideration whatsoever. We prefer to offer this consulting service without remuneration.

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FORM 2-1650 REV. 3-43 100M

Confirmation  
of  
Copy to:

Colonel F Clabaugh

ARMCO

MIDDLETOWN, OHIO

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November 6, 1943

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If our services were to be required as set forth in the second category, the vast amount of organizational work and the drain on our personnel would be such that appropriate reimbursement to us by our Government would appear to be in order.

The third category really falls within the classification of a business venture - which we would be willing to undertake on some contractual basis that would be appropriately applicable.

We have no investment in any steel producing unit in Italy. Our experience in that country has heretofore been in the following categories:

1. Licensing of our processes.
2. General consulting and design engineering.
3. Suppliers of steel shipped from other European countries and from the United States to specifications peculiarly required in Italy.
4. Purchase of the products of Italian steel mills for resale in Italy.

Therefore, the services which we can offer in Italy are less comprehensive than would be true in France, Germany, Belgium, Luxembourg, Poland or Czechoslovakia, where in some cases we have controlled all phases of management and have also owned an interest in the business. Nevertheless you may find that our general knowledge of the steel industry in Italy and our acquaintance with the steel personnel of that country, the customs and commercial procedure of the prewar operations of that country, may in some way be helpful to you.

Yours very truly

THE ARMCO INTERNATIONAL CORPORATION

E A Emerson  
NH

President

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ALLIED FORCE HEADQUARTERS

Military Government Section

ATM/CHL/jm

Ref. E.109

5 January 1944

SUBJECT: Italian Hemp Industry

TO : HQ  
ACC/AMG  
(Attention Col. Spofford)

1. This letter is being brought by hand of Mr. W.S. Backhouse, Ministry of Supply representative, who will be attached to A.C.C. for special duty in connection with the development of the Italian Hemp industry and export of Hemp required by U.K.
2. Copy of his instructions from Min of Supply is also attached. These seem to cover the position satisfactorily except that Mr. Backhouse will not work independently as suggested in para 6, and the actual financing and accounting of purchases made on Min of Supply account will be in accordance with existing procedure.
3. The position at the moment is that C.R.M.B. have allocated to U.K. the first 5,000 tons hemp available after local requirements have been met. By local requirements is meant, principally, Service requirements and as these plus vital export requirements are considerable it is requested that civilian requirements be rigidly screened and placed at lowest possible amount.
4. In this connection we understand it is your intention to use Mr. Backhouse's services
  - (a) to assist in supervising and administering the existing organisation which controls the Hemp industry,
  - (b) to assist you in formulating a planting and production program for 1944, including fixing of prices,
  - (c) to co-operate in the manufacture of rope and other Hemp products which can be produced locally against the requirements of the R.N. and other armed forces,
  - (d) to facilitate exports of Hemp to U.K.

5. In their latest cable on this subject (CAL 95) Combined Chiefs of Staff make the following points:

- (a) that although U.K. has been given the first allocation of Italian Hemp, Washington requires to be advised from time to time the current position of the industry and of the procedure arranged in exporting to U.K., especially in relation to prices,
- (b) that a representative from U.S. interests may possibly be nominated to cooperate with the U.K. representative.
- (c) that the prices fixed by A.C.C. shall be based strictly on domestic considerations and shall not be influenced by current Hemp prices in U.K. or U.S.

6. Since writing the above we have had the opportunity to discuss this matter with Colonels Henderson and Gerry and Mr. Backhouse.

As the hemp area lies entirely within Region 3 and preliminary investigations have been made by Lt. Col. Herman, it is considered that C.E.C. should now coordinate all interests in this connection, and Mr. Backhouse will be assigned to work under instructions of C.E.C. (Lt. Col. Henderson). Pending the latter's return to Naples it is requested that Mr. Backhouse be "handed over" to Lt. Col. Herman.

*A. T. Maxwell*

A. T. MAXWELL  
Colonel  
Deputy Chief

Copies to: C.E.C.  
A.M.G. 15th Army Group.  
AFHQ Adv Adm Ech for MGS Adv.

*Mr Backhouse was "handed over" to Lt Col  
Hermann: arrangements for his work  
have been made both personally & officially  
and he has started work at C.E.C.*



312.11

HEADQUARTERS  
ALLIED MILITARY GOVERNMENT  
APO 394

*[Signature]*  
SAC/JFL

AMG/5195/IC

5 January, 1944

SUBJECT: Surplus Resources--Sardinia

TO : AFM, MGS  
ATTENTION: Col. Butterworth

1. We wish to thank you for your prompt action in forwarding us details of surplus commodities in Sardinia, your letter of Dec. 20 refers, and we have passed on to Regions I and II the details of the surplus commodities that are available, requesting them to advise us at the earliest possible any requirements that they may have. We have also passed this information on to 15 Army Group and AOC, Advanced HQ, requesting them to let us have details of their requirements, if any.

2. For your information the possibility of using the hides and skins will be taken into consideration in the study that is being made on supplies of footwear for civilians, to which your telegram No. 21480 31 Dec. refers. This matter is now being investigated and a report will be made as soon as possible. Cork has been used in the making of shoes for civilians and if the quality of cork that is available in Sardinia at the present moment is suitable, consideration will also be given to this.

3. As soon as information is received from various regions the same will be forwarded to you at the earliest possible.

*[Signature]* *White* Major G.  
for CHARLES H. SPOFFORD  
Colonel, G. S. C.  
D. C. C. A. C.

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