

Declassified E.O. 12356 Section 3.3/NND No. 785017

ACC

10000/109/336
(VOL. 2)

MILITARY
JUNE - NOV

Declassified E.O. 12356 Section 3.3/NND No. 785017

10000/109/336
(VOL. 2)

MILITARY & CIVIL AFFAIRS AGREEMENT WITH ITALY
JUNE - NOV. 1946

~~105~~ 108

Ex Comm.

See p ¹⁰⁷ ~~106~~ sent to us for info.
Presumably we shall get action instructions
from G-5. This matter was first
raised in a signal sent by C.C. at
p 87 (Vol I) H.S. 18

122 ^{1/8}

123

Ex Comm.

See p's 117-122 for info.
H.S. 2410
2411

130

Ex Comm.

p's 124-129 for info.
H.S. 2411
2412

6.5

124

NOV 1 1946

CG 102-2

1 November 1946

HP

SUBJECT: British Draft Military and Civil Affairs Agreement with Italy.

TO: G-5, AFHQ.

127

1. Pursuant to telephone conversation this date between Colonel Bamban and Admiral Stone, there is forwarded herewith for information rough translations of a letter dated 23 October (received 31 October) and an undated note to the British Embassy setting forth the Italian Government views on the British Draft Military and Civil Affairs Agreement with Italy.

121

2. The second paragraph of the attached letter dated 25 October refers to Ministry of Foreign Affairs letter dated 16 October, translation of which was forwarded to you with my letter dated 22 October, file CG 102-2, which transmitted the Italian Government views on the U.S. draft agreement.

122

3. In order to save time, only a rough translation of the note to the British Embassy is forwarded herewith but it is believed to be substantially accurate.

4. The underlined portion of the paragraph of the note beginning "Art. 5 of the draft ..." was no doubt intended to be equivalent to similar language in paragraph 2(a) of the draft American agreement.

/s/ Elery W. Stone

ELERY W. STONE
Rear Admiral, USN
Chief Commissioner

Copy to: U.S. Ambassador
British Ambassador

Polad A
Polad B
Ex Commr ✓
CC

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(cso)

785017

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NOV 1 1946

1 November, 1946

My dear Dr. Franas,

I wish to thank you for your letter of
25 October inclosing the memorandum to the British
authorities for the revision of the economic-financial
clauses of the Armistice,

Very sincerely yours,

/s/ Ellery W. Stone
ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Renate Franas
Ministry of Foreign Affairs
Rome.

CELEXCOMM

469

(ccso)

127

TRANSLATION

Rome, 25 October 1946

Dear Admiral:

The enclosed memorandum containing the considerations of the Italian Government on the enclosure draft submitted in its time by the British authorities for the revision of the economic-financial clauses of the Armistice, has been delivered to the British Embassy this date.

With reference to the Note dated 16th instant, I have the honor to transmit to you copy of said document containing considerations and proposals similar to those formulated to the U.S. Government with the aim of establishing a uniformity of regulations with regard to the services rendered by Italy to the United States and Great Britain.

Sincerely yours,

/s/ R. Prunas

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

467

Lu 7-128

Declassified E.O. 12356 Section 3.3/NND No. 785017

126

TRANSLATION

D.A.E. - Uff. IV

MEMORANDUM

The Italian Government has, in its time, taken into consideration the draft of the Enclosure to the Armistice Convention between the United Kingdom and Italy.

The examination led at that time to the conclusion that the specifically military and political proposals of the agreement raised serious problems of internal and international nature, fated to arouse serious apprehension and opposition in the Country.

The whole of the regulations does practically nothing but confirm and consolidate for the matters taken into consideration, the present situation as it has been created by the "Long Armistice" regime.

On the other hand, in the impendency of the Peace Conference and in the hope that the latter might, within a short time, reach the conclusion of the final Peace Treaty, the Italian Government did not consider at that time necessary or anyhow urgent to start negotiations which very likely would have been superseded before they could reach a conclusion.

However, following the invitation kindly addressed to them, the Italian Government has again examined the economic-financial clauses proposed for the new armistice and contained in articles 5, 8 and 18 of the enclosure draft, and submits to H.M. Government the main considerations and remarks concerning said clauses.

The Italian Government is grateful to H.M. Government for the favorable disposition by which it is animated toward the Italian Government and the Italian people and which is partly reflected in the economic-financial clauses of the proposed enclosure draft.

Nevertheless the Italian Government must point out that, according to the British proposals, part of the burden for the occupation expenses would still continue to weigh on the exhausted Italian economy, regardless of the fact that the armistice regime is already lasting since more than three years and that Italy is still carrying, without any guilt, weights and burdens from which it should have been liberated long ago.

Encouraged by such good disposition, the Italian Government takes therefore the liberty of asking to be exonerated from the occupation expenses for the direct maintenance of British troops which so far have been totally sustained by Italy.

In such spirit the Italian Government has examined the economic-financial clauses contained in the abovementioned enclosure and which could be opportunely altered, coordinating them in a system which could be thus resumed:

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

785017

125

1) - the settlement of financial relations entered on the base of the armistice of 29 September 1943 and carried on from its entry in force until 30 June 1946, will take place at a later date, as soon as possible.

2) - the debt of the Italian Government towards the British Government for civilian supplies and for services rendered to the Italian Government or the Italian population from 1st September 1943 should be settled taking into consideration the credits of the Italian Government for the supplies, the requisitions, the services, etc. rendered to Great Britain since the beginning of cobelligerency;

3) - the countervalue in pounds of the lire put by the Italian Government at the disposal of the British authorities during the validity period of the new agreement will be credited by the British Government to the Italian.

The Italian Government knows well that the Peace Treaty could dispose in a different way, but it trusts that -- for reasons of fairness on which it is superfluous to digress -- such dispositions may already now receive a different application from the British side.

With regard to paragraph D) it must be stressed that the cobelligerency would be practically reduced to very little should such request, already made with the Memorandum of 7 January 1945 and to which H.M. Government replied with the Verbal Note of 1 November of the same year, not be granted. In said Note, the British Government showed so much understanding that it made believe that the problem would sooner or later find a fair solution, and assured that the contribution given by liberated Italy and by the partisans to the common cause would be fully taken into account.

The Italian Government and the Italian people will therefore consider the acceptance of such request not only as a proof of good will and generosity, but also as a tangible demonstration of the British Nation of its wish to contribute, in the limits of its possibilities and in fulfilment of its responsibilities as a Great Power, to the reconstruction of the devastated Italian economy and to the consolidation of the friendly relations between the two Nations.

As regards particularly the wording of the economic-financial clauses contained in articles 5, 8 and 18 of the enclosure, the following alterations and adaptations are proposed by the Italian side, in harmony with the abovementioned system:

- Art. 5 of the draft should be integrated with the two underlined sentences, reading therefore as formulated hereafter: "the Italian Government will make available to the British forces, compatibly with the Italian exigencies and taking into consideration the reasonable economic local interests, those areas, buildings, installations, covered depots and similar facilities notified by the British High Command and which will be requested from time to time by the British forces for the accommodation, the maintenance or the training of troops, for the operation or shelter of air planes; for stocks of equipment, food and supplies or for any other purpose; all the necessary requisitions will be ordered by the Italian Government.

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

785017

124

The counter-value of the amounts which the Italian Government will pay for such requisitions will be credited in pounds to the Italian Government."

- Article 8 would remain unaltered with the addition however of the following paragraph: "the amount of the purchases, of the supplies and of the finished products, if paid in lire put at the disposal of British authorities by the Italian Government, must find its counterpart in a credit in pounds of the same amount in favor of said Government."

- As to article 18, it is proposed that paragraph (1) be suppressed in consideration of the fact that the obligation of the Italian Government to put at the disposal of British authorities the lire amounts they may request, results already from the agreement between Admiral Stone and the President of the Council De Gasperi as of the letters exchanged in the period from November 1945 to January 1946.

Having once suppressed paragraph (1) of said article and admitted the principle (analogous to that proposed to the American Government for settling the same matter) that the occupation expenses, the supplies etc. necessary to the British Armed Forces are to be charged to the British Government, article 18 could be formulated as follows:

"The occupation expenses, including the net troops' pay and the expenses for the maintenance of British Forces in Venezia Giulia and in the province of Udine, as well as the expenses for all services and requisitions made for the British Forces must, beginning from 1 July 1946, be charged to the British Government and will be paid in pounds."

The British Government will notice that in the proposed formula the exchange clause contained in the British draft is not repeated. With regard to the request made in this matter, it has to be considered that the supply of funds in lire to the British Armed Forces is assuming in this case almost the character of a normal currency operation and it does not seem possible to establish for the conversion of Italian lire into pounds a rate of exchange differing from that effective at the moment of the single supplies and services, with an opportune majoration of the relative exchange premium.

A derogation from the principle of current exchange does not appear possible also for technical-economic reasons connected with the commerce with foreign currency and caused specially by the present situation. In fact, the Italian Government must immediately use the available currencies for reconstruction purposes and therefore the utilization at the current rate of exchange of pounds credited to the Italian Government at a conventional, different and changing parity could cause to the Italian Government and therefore to the Italian economy a very high loss.

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

785017

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122

CG 102-2

22 October 1946.

OCT 23 1946

SUBJECT: Transmittal of US/Italian Military and Civil Affairs Agreement.

TO: Hq. SECUS, AFM 512, U.S. Army.
Attention: Assistant Chief of Staff, G-3.

74-Vol. I

Your letter of 14 June on the above subject refers.

121

1. I forward herewith translation of letter from the Secretary General of the Ministry of Foreign Affairs, together with a translation of an aide memoire which accompanied the Secretary General's letter which sets forth the views of the Italian Government with respect to the "Modified Draft of Military and Civil Affairs Agreement between the United States and Italy".

120

Is/ Ellen W. Stone
Stone W. Stone /s/

ELLEN W. STONE
Rear Admiral, USNR
Chief Commissioner

Copy to: U.S. Embassy
British Embassy

DISTRIBUTION: POLAD A
POLAD B

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EXCOM
CC FILES

See 17-123

(C.S.O.)

See 7-129

462

Translation

MINISTRY OF FOREIGN AFFAIRS

The Secretary General

Rome, 16 October 1946.

Dear Admiral,

With reference to your kind note of September 3, 1946, in which you have sent me the draft of the financial agreement concerning the conditions of payment for the services rendered in Italy to the United States of America, I have the honor of resubmitting herewith the memorandum containing the considerations made by the Italian Government regarding this matter.

I do sincerely hope that the U.S. Government will agree with the contents of said memorandum, a copy of which is being sent for information to the U.S. Embassy in Rome. I will send you as soon as possible a similar memorandum referring to the services rendered to Great Britain.

With best regards,

/s/ R. PAGNAS

Admiral Hilary W. STONE
Chief Commissioner
Allied Commission
ROMA.

120

DECLARATION

ATTENZIONE

THE MINISTRY OF FOREIGN AFFAIRS

The Italian Government has duly examined the Draft Civil and Military Affairs Agreement between the United States and Italy, annexed to the Draft Modification of the Armistice regime.

That examination has led to the conclusion that the specifically military and political proposals of the agreement itself pose grave problems of a domestic and international character destined to give rise to serious apprehensions and opposition (contrasti) in the country.

The total effect of the dispositions referred to in articles 1 to 7 in fact only confirms and consolidates in substance, as regards the matters treated in those articles, the actual situation which has come into being under the long Armistice regime.

On the other hand, in view of the imminence of the Peace Conference and the hope that it may within a short time bring about the conclusion of a definitive Peace Treaty, the Italian Government believes it unnecessary and in any case not urgent to initiate discussions which might very probably become unnecessary before they were concluded.

Still, in compliance with the courteous requests of the Department of State, the Italian Government nevertheless submits to the Government of the United States its principal observations regarding the economic-financial clauses proposed for the new Armistice.

The system proposed by the Government of the United States for the regulation of financial relations, forthcoming from the new Armistice, may apparently be summarized as follows:

- a) To set aside (accantonare) the system of financial relations initiated on the basis of the Armistice of September 29, 1943, and carried out from its entry into effect up to June 30, 1946;
- b) To charge to the Italian Government the occupation expenditures, exclusive of net troop pay, for the direct maintenance of American military forces in Venezia-Giulia and the province of Udine;
- c) To charge to the Government of the United States for payment in dollars currently all services and all supplies (prestazioni) rendered to the American armed forces.

The Italian Government believes that the proposed system is in general acceptable and that it constitutes an appreciable improvement in the financial situation which had been imposed on Italy with the preceding Armistice.

460

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

785017

119

The cessation of the arrangement of financial relations carried out up to June 30, 1946, is reasonable and opportune. Such an arrangement would have complicated the negotiation of the new armistice.

The Italian Government hopes that, when it may be appropriate, the United States Government will wish to take into account the considerations set forth by the Italian Government in its memorandum of January 7, 1945 in the sense that all supplies, all services and all payments made by the Italian Government for the account of the American armed forces during the long period of co-belligerency, may be recognized as dollar credits of the Italian Government to be applied against its debts for the civilian supplies.

Notable relief will thus derive to the Italian economy from the payment in dollars which the American Government declares itself disposed to make for all supplies, services, requisitions, etc., which the Italian Government will place at the disposition of the American armed forces beginning from July 1, 1946, and for the full duration of the new armistice.

Encouraged by such good dispositions, the Italian Government permits itself to request that it be exempt from the occupation expenditures for the direct maintenance of troops which it is desired to charge against it. It is true that this concerns only the troops stationed in Venezia-Giulia and in the Province of Udine, and it is further true that troop pay would be excluded, but that a part of the burden for occupation expenditures would nevertheless continue to bear upon the exhausted Italian economy, notwithstanding that the armistice regime has continued by this time almost three years, and that Italy has continued to bear, through no fault of its own, burdens from which it should have been freed for some time.

The Italian Government, which is grateful to the Government of the United States for the favorable arrangements, which have salvaged the regard of the Italian Government and people, hopes that its request will be granted and that the burdens of occupation expenses will thereby cease completely to exist.

In that spirit the Italian Government has also examined the text of the separate draft agreement provided for by paragraph 9 of the Armistice draft transmitted last September.

Accordingly, the observations which it advances below with regard to the last mentioned document are presented without implying any denial of the point of view expressed above.

Such observations are the following:

1. The Italian Government requests at the least exemption from the transportation expenditures, not only in order to eliminate the need for laborious calculations for the division of the expenditures themselves between the two Governments, as is provided in Section I, paragraph 2, but also in order to relieve Italian finances from a burden of which a not unimportant part consists of disbursements in foreign exchange for supplies of fuels, lubricants, etc;

459

Declassified E.O. 12356 Section 3.3/NND No. 785017118

2. The amount of the current account in lire which, by the terms of paragraph 3 (a), the Italian Government must place at the disposition of the Commanding General of the American armed forces, might conveniently be established in agreement with the Minister of the Treasury;

3. The second section of the Draft does not appear entirely clear: it is thought possible to deduce, barring errors of interpretation, that the supplying of lire to the American armed forces for troop pay and for other expenditures reimbursable in dollars should take place by utilizing the balance in lire already in possession of the American armed forces or through the acceptance and payment of the countervalue in lire by the Bank of Italy of United States Treasury checks. The payment in dollars for lire received in advance would occur immediately, with the undertaking on our part however to repurchase lire not utilized and to exempt the American forces from any loss deriving from devaluation of the lire.

With regard to this last request it is considered that the providing of funds in lire to the American armed forces assumed in this case practically the character of a normal foreign exchange operation. Therefore, an eventual exchange guarantee - enacted in a public document - would certainly be invoked by third countries in similar cases, without Italy being able to advance serious arguments to resist such a demand.

Not only that, but this request also may not be granted for technical-economic reasons connected with foreign exchange operations and deriving especially from the present situation in which the Italian Government, far from being able to save the available foreign exchange must employ it immediately for reconstruction purposes. In fact, whereas the dollars received may actually be utilized immediately or very soon by Italy, which means under present exchange conditions, the restitution of dollars for the repurchase of lire not used by the American armed forces might come about much later under different exchange conditions and with a considerable loss to the Italian economy.

That inconvenience which would be serious enough even if the advances in lire were not limited to a pre-established figure, remains equally serious even within the limits of the amounts proposed in paragraphs b (1) and (2).

It is pointed out, anyhow, that the exchange guarantee could be applied in any case only to official funds, and possibly to those which are semi-official, but not also to those personal funds of individual members of the American armed forces.

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OCT 22 1946

ALCOM OTTE ACSOC FROM ADMIRAL STORE

221015A OCTOBER 1946

MTAUSA FOR GEORGE FIVE

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79-401-1
YOUR LETTER OF FOURTEEN JUNE SUBJECT TRANSMITTAL OF UNCLE SUGAR ITALIAN MILITARY
AND CIVIL AFFAIRS AGREEMENT REFERS PD

PARA ONE PD REPLY NOW RECEIVED FROM MINISTRY OF FOREIGN AFFAIRS SETTING FORTH
COMMENTS OF ITALIAN GOVERNMENT ON DRAFT CIVIL AND MILITARY AFFAIRS AGREEMENT BETWEEN
THE UNITED STATES AND ITALY PD A COPY WAS DELIVERED BY ITALIAN GOVERNMENT TO
AMERICAN EMBASSY PD

PARA TWO PD TRANSLATION IS BEING FORWARDED YOU BY HAND

DISTRIBUTION:

US Ambassador
BI Ambassador
US Polnd
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PRIORITY

Chief Commissioner

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LENNY W. STORE
Rear Admiral, USNA
Chief Commissioner

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NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Embassy of France and has the honor to acknowledge receipt of the latter's note Verbale of August 16, requesting the text of the Civil Affairs Agreement recently communicated to the Italian Government by United States Authorities.

The Embassy of the United States of America believes that there may have been some misunderstanding with regard to the method of negotiating this Agreement. In point of fact the so-called United States Civil Affairs Agreement will be negotiated directly between the Italian Government and the United States Military Authorities in Italy. The Embassy understands, however, that such is not the case with regard to the United Kingdom Civil Affairs Agreement.

The Embassy of the United States of America would, therefore, suggest that the French representative attached to the Headquarters of the Allied Commission take the matter up directly with the Chief Commissioner. The Embassy understands informally that the Chief Commissioner will be glad to show the United States Agreement to the French representative, but that the sanction of

acknowledge receipt of the latter's note Verbale of August 16, requesting the text of the Civil Affairs Agreement recently communicated to the Italian Government by United States Authorities.

The Embassy of the United States of America believes that there may have been some misunderstanding with regard to the method of negotiating this Agreement. In point of fact the so-called United States Civil Affairs Agreement will be negotiated directly between the Italian Government and the United States Military Authorities in Italy. The Embassy understands, however, that such is not the case with regard to the United Kingdom Civil Affairs Agreement.

The Embassy of the United States of America would, therefore, suggest that the French representative attached to the Headquarters of the Allied Commission take the matter up directly with the Chief Commissioner. The Embassy understands informally that the Chief Commissioner will be glad to show the United States Agreement to the French representative, but that the sanction of higher authority will have to be obtained by the Chief Commissioner if the French representative desires to retain a copy.

R O M E, August 26, 1946.

To the Embassy of France,

R O M E.

JMG:ra: maa

Original with CC. *12/27*

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FILED: 000111Z
PRIORITY

PARAPHASE UNNECESSARY
RESTRICTED

FROM : AGWAR FROM JOINT CHIEFS OF STAFF

TO : COMGENMED

REF NO THIS MESSAGE : W 97062

10 August 1946
AUG 21 1943

To General LEE.

Paragraph 9 of W90819 refers.

1. The following draft agreement has been approved by the State, War and Navy Departments for negotiation on a military level in implementation of the financial provisions of the Military and Civil Affairs Agreement between the United States and Italy.

Begin draft agreement.

"Pursuant to the terms of the Military and Civil Affairs Agreement entered into between the Italian Government and Commanding General of the United States Forces in ITALY and more specifically to paragraphs 9(A) (B) and (C) of the aforementioned agreement, it is further agreed that the following provisions shall govern:

(A) The conditions under which occupational costs for the direct maintenance of United States Forces in VENEZIA GIULIA, AMENDOLA Airport, and the Province of UDINE will be met by the Italian Government.

(B) The conditions under which the United States Government will pay in Dollars on a current basis, for net troop pay of United States Troops located in ITALY, and for all supplies, services and facilities NOT covered in paragraphs 8 and 9 (A) of the parent agreement.

SECTION I.

Occupation costs for direct maintenance of United States Forces in VENEZIA GIULIA, Province of UDINE, and support troops located at AMENDOLA Airport.

PARAPHASE UNNECESSARY
RESTRICTED

MC IN 726

COPY NO

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Paragraph 9 of W90819 refers

1. The following draft agreement has been approved by the State, War and Navy Departments for negotiation on a military level in implementation of the financial provisions of the Military and Civil Affairs Agreement between the United States and Italy.

Begin draft agreement.

"Pursuant to the terms of the Military and Civil Affairs Agreement entered into between the Italian Government and Commanding General of the United States Forces in ITALY and more specifically to paragraphs 9(A) (B) and (C) of the aforementioned agreement, it is further agreed that the following provisions shall govern:

(A) The conditions under which occupational costs for the direct maintenance of United States Forces in VENEZIA CIULIA, AMENDOLA Airport, and the Province of UDINE will be met by the Italian Government.

(B) The conditions under which the United States Government will pay in Dollars on a current basis, for net troop pay of United States Troops located in ITALY, and for all supplies, services and facilities NOT covered in paragraphs 8 and 9 (A) of the parent agreement.

SECTION I.

Occupation costs for direct maintenance of United States Forces in VENEZIA CIULIA, Province of UDINE, and support troops located at AMENDOLA Airport.

MC IN 726

PARAPHRASE UNNECESSARY
RESTRICTED

COPY NO

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(CSO) J.S. 2218

LC seen 2/18

22/2/66
P.A. J.S.

REF NO THIS MESSAGE : W 9/062

(cont'd) 10 August 1946

1. "Direct maintenance" is used in this agreement will be construed to mean the cost of services, supplies and facilities procured in ITALY and used by troops physically located in the area cited in the title of Section I.

2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied Military Facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.

3.

(A) The Commanding General of the United States Forces or a duly appointed Delegate or Delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of (amount to be filled in by the Commanding General, United States Forces, in accordance with his requirements) lire, and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.

(B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian Government.

4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein will be presented to the Italian Government as evidence that such supplies are for direct maintenance of United States Occupation Forces.

5. The technical procedures necessary to implement this agreement shall be determined between the Commanding General of the United States Forces and the Italian Government.

location between these areas and other Allied Military Facilities, supplies, and costs of communication will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.

3.

(A) The Commanding General of the United States Forces or a duly appointed Delegate or Delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of (amount to be filled in by the Commanding General, United States Forces, in accordance with his requirements) lire, and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.

(B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian Government.

4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein will be presented to the Italian Government as evidence that such supplies are for direct maintenance of United States Occupation Forces.

5. The technical procedures necessary to implement this agreement shall be determined between the Commanding General of the United States Forces and the Italian Government.

MC IN 726 10 August 1946

- 2 -

REF NO: 492062

REF NO THIS MESSAGE: W 97062 (cont'd) 20 August 1946

SECTION II.

Procurement of lire for troop pay and for purchase of supplies, materials and services other than for direct maintenance as provided in section I hereof.

1.

(A) All lire held by United States Forces on 1 July 1946 and NOT heretofore paid for will be purchased by United States Forces at the rate of 225 lire to the Dollar. A statement of this balance, resulting from all lire drawn prior to 1 July 1946, from the Allied Financial Agency and the Banca D'Italia by the United States Armed Forces, less lire used by the United States Armed Forces for all local procurement of goods and services, minus the Dollar equivalent already paid the Italian Government by the United States Armed Forces, minus the returns of lire to the Allied Financial Agency and the Banca D'Italia as of 30 June 1946, will be furnished to the Italian Government.

(B) After 1 July 1946 the United States Forces will purchase lire requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca D'Italia or one of its branches with United States Treasury checks.

(C) When all United States Forces are withdrawn from ITALY, settlement will be made for lire balances referred to in paragraph 1 (A) above by:

- (1) Return of unused lire to Italian Government.
- (2) Payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 (C).

(D) The United States Forces will use lire balance (see paragraph 1 (A)) and lire procured by treasury check only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States Forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of section I.

PARAPHRASE UNNECESSARY
RESTRICTED

of this balance, resulting from all lire drawn prior to 1 July 1946, from the Allied Financial Agency and the Banca D'Italia by the United States Armed Forces, less lire used by the United States Armed Forces for all local procurement of goods and services, minus the Dollar equivalent already paid the Italian Government by the United States Armed Forces, minus the returns of lire to the Allied Financial Agency and the Banca D'Italia as of 30 June 1946, will be furnished to the Italian Government.

(B) After 1 July 1946 the United States Forces will purchase lire requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca D'Italia or one of its branches with United States Treasury checks.

(C) When all United States Forces are withdrawn from ITALY, settlement will be made for lire balances referred to in paragraph 1 (A) above by:

(1) Return of unused lire to Italian Government.

(2) Payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 (C).

(D) The United States Forces will use lire balance (see paragraph 1 (A)) and lire procured by treasury check only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States Forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of section 1.

PARAPHRASE UNNECESSARY
RESTRICTED

- 3 -

453

MC IN 726

112
REF NO THIS MESSAGE : W 97062 (cont'd) 10 August 1946

(E) All local procurement other than for direct maintenance will be paid for with lire balances (reference paragraph 1 (A)) or lire purchased from the Italian Government with United States Treasury checks.

2. The Italian Government agrees:

(A) To instruct the Banca D'Italia and all branches thereof to accept United States Treasury checks from Army Disbursing Officers in exchange for lire at the rate of 225 lire to the dollar.

(B) When United States Forces are withdrawn from ITALY to repurchase with United States dollars Army holdings as follows:

(1) Lire in excess of 1 July 1946 balances (see paragraph 1 (A)) at the rate of 225 lire to the dollar, except as modified by paragraph (C) below, provided however, that liability for the repurchase of lire shall NOT exceed the amount purchased after 1 July 1946 by Treasury check;

(2) The additional lire converted to dollars for authorized personnel of the United States Forces, NOT to exceed in any event three million five hundred thousand dollars.

(C) To protect the United States Forces, including Official, quasi-Official, and personal funds, in accordance with the provisions of the note of 22 February 1946 from the Italian Ministry of Treasury to the United States Treasury Representative at ROME, against any loss resulting from the devaluation of lire. Provisions of this paragraph will be applicable to paragraph 1 (C) (2) and shall be taken into consideration in computing amounts due to the Italian Government.

(D) To advise United States Government in advance of any pending change in the rate of exchange."

MC IN 726 10 August 1946

REF NO: W 97062

- 4 -

(B) When United States Forces are withdrawn from ITALY to repurchase with United States dollars army holdings as follows:

(1) Lire in excess of 1 July 1946 balances (see paragraph 1 (A)) at the rate of 225 lire to the dollar, except as modified by paragraph (C) below, provided however, that liability for the repurchase of lire shall NOT exceed the amount purchased after 1 July 1946 by Treasury check;

(2) The additional lire converted to dollars for authorized personnel of the United States Forces, NOT to exceed in any event three million five hundred thousand dollars.

(C) To protect the United States Forces, including Official, quasi-Official, and personnel funds, in accordance with the provisions of the note of 22 February 1946 from the Italian Ministry of Treasury to the United States Treasury Representative at ROME, against any loss resulting from the devaluation of lire. Provisions of this paragraph will be applicable to paragraph 1 (C) (2) and shall be taken into consideration in computing amounts due to the Italian Government.

(D) To advise United States Government in advance of any pending change in the rate of exchange."

MC IN 726 10 August 1946

- 4 -

REF NO: W 97062

452

111
REF NO THIS MESSAGE : W 97062 (cont'd) 10 August 1962

Draft Agreement.

2. In approving the foregoing draft agreement, the State, War and Navy Departments simultaneously agreed that:

(A) "While local procurement by US Forces in ITALY will be carried out by purchase rather than requisition under present circumstances, this procedure shall NOT prejudice any future decision to procure by requisition should developments so require.

(B) That in practice direct maintenance of US Forces in VENEZIA GIULIA will be narrowly defined by the Mediterranean Theatre Commander and that a generous attitude will be adopted toward the Italian Government as regards expenditures outside VENEZIA GIULIA, UDINE, and VENEZIA Airport for "direct maintenance".

NOTE : W-90819 MC IN 1064A 12/6/46 G-5

ACTION : G-5

INFORMATION : C/S MTO SACS G-3(MTO) G-2 G-1
G-4 JAG US POLAD IG AG FISC DIR
SIGNALS BRIT POLAD G-3 (AFHQ)

P:RAPHRASE UNNECESSARY
R: STRICTED

MC IN 726 10 August 46 2100B REF NO: W 97062

(A) "While local procurement by US Forces in ITALY will be carried out by purchase rather than requisition under present circumstances, this procedure shall NOT prejudice any future decision to procure by requisition should developments so require."

(B) That in practice direct maintenance of US Forces in VENEZIA GIULIA will be narrowly defined by the Mediterranean Theatre Commander and that a generous attitude will be adopted toward the Italian Government as regards expenditures outside VENEZIA GIULIA, UDINE, and FENDOLA Airport for "direct maintenance".

NOTE : W-90819 IC IN 1064A 12/6/46 G-5

ACTION : G-5

INFORMATION : C/S MTO SICS G-3(MTO) G-2 G-1
G-4 JAG US POLAD IG AG FISC DIR
SIGNALS BRIT POLAD G-3 (AFHQ)

PARAPHRASE UNNECESSARY
RESTRICTED

MC IN 726 10 August 46 2100B REF NO: W 97062

- 5 -

451

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

W-90819

11 June 1946

"MODIFIED DRAFT OF MILITARY AND CIVIL AFFAIRS
AGREEMENT BETWEEN THE UNITED STATES AND ITALY."

* * * * *

EXTRACT

* * * * *

8. The financial terms and conditions covering the supply of Italian lira to the UNITED STATES Forces, payment thereof and payment for services and facilities and related questions set forth in the Armistice agreement, dated 29 September 1943, shall continue to govern the financial relations between the UNITED STATES Forces and the Government of ITALY up to and including 30 June 1946; NOTwithstanding the abrogation of that Armistice Agreement.

- 91 (a) Occupation cost exclusive of net troop pay for the direct maintenance of UNITED STATES Forces in VENEZIA GIULIA and the Province of UDINE shall continue as heretofore to be a charge against the Italian Government.
- (b) The cost of all services and facilities NOT covered under paragraphs 8 and 9 (a), made available to the UNITED STATES Forces shall, from 1 July 1946, be the responsibility of the UNITED STATES Government and shall be paid for in dollars currently.
- (c) The conditions of payment on which services and facilities are made available to the UNITED STATES in ITALY, together with the financial questions such as the supply of Italian currency to the UNITED STATES Forces, shall be subject of a separate agreement, effective as of 1 July 1946. These arrangements include the establishment of a lira account through which medium the Italian Government shall reimburse the U.S. Forces for lira payments made by U.S. disbursing officers in payment of expenses which, under the new Financial agreement, are properly chargeable to the Italian Government. The UNITED STATES Forces shall establish such procedures as are necessary to implement the new Financial Agreement.

EXTRACT

8. The financial terms and conditions covering the supply of Italian Lira to the UNITED STATES Forces, payment thereof and payment for services and facilities and related questions set forth in the Armistice agreement, dated 29 September 1943, shall continue to govern the financial relations between the UNITED STATES Forces and the Government of ITALY up to and including 30 June 1946; NOTwithstanding the abrogation of that Armistice Agreement.

9. (a) Occupation cost exclusive of net troop pay for the direct maintenance of UNITED STATES Forces in VENEZIA GIULIA and the Province of UDINE shall continue as heretofore to be a charge against the Italian Government.

(b) The cost of all services and facilities NOT covered under paragraphs 8 and 9 (a); made available to the UNITED STATES Forces shall, from 1 July 1946, be the responsibility of the UNITED STATES Government and shall be paid for in dollars currently.

(c) The conditions of payment on which services and facilities are made available to the UNITED STATES in ITALY, together with the financial questions such as the supply of Italian currency to the UNITED STATES Forces, shall be subject of a separate agreement, effective as of 1 July 1946. These arrangements include the establishment of a Lira account through which medium the Italian Government shall reimburse the U.S. Forces for Lira payments made by U.S. disbursing officers in payment of expenses which, under the new Financial agreement, are properly chargeable to the Italian Government. The UNITED STATES Forces shall establish such procedures as are necessary to implement the new Financial Agreement.

615

CONFIDENTIAL

109

Ref- 615/EC

19 August 1946

SUBJECT: British Civil Affairs Agreement.

TO: : Director, Allied Financial Agency.

Herewith copy of the British Civil Affairs Agreement
requested by you.

sgt W. Col. J. H. Smith

Chief Staff Officer,
To Executive Commissioner.

Encl:

449

PA 12/8

785017

WITHDRAWAL NOTICE

RG 331
ACC - Italy
Box 210
Folder 10000/109/336
"448"
1 doc. / 1 page

ACCESS RESTRICTED

The item identified below has been withdrawn from this file:

File Designation	10000/109/336
Date	8/46
From	165
To	15E

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Date

GENERAL SERVICES ADMINISTRATION

GSA FORM 7117 (2-72)

Ref. : 615/SC.

6 July 1946.

My Dear Mr. De Gasperi,

I have pleasure in informing you that the draft of the United States - Military Civil Affairs Agreement, which was previously classified "Secret", has now been re-classified as "Restricted".

This does not, however, permit the release of this document to the press.

Yours Very Truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Doctor Alcide De Gasperi,
Italian Government,
Rome.

447

copy to 6 Com.

PA 8/7

Dec 1945

242 615 98
INCOMING MESSAGE *Ex Com 105*

HEADQUARTERS ALLIED COMMISSION

Originator's Reference: **C 51369**

Message Centre No: **H/4314**

Date/Time of Origin: **JULY 011050B**

Date Time Rec'd: **JULY 011045**

Precedence: **PRIORITY**

FROM: **AFHQ FROM G-5**

TO: **ALCOM ROME**

JUL 1 1946

UNCLASSIFIED.

US DRAFT MILITARY/CIVIL AFFAIRS AGREEMENT RECLASSIFIED AS RESTRICTED.
INFORM ITALIAN GOVERNMENT BUT CAUTION THAT RESTRICTED DOES NOT PERMIT
RELEASE TO PRESS.

AC DIST

ACTION: EXEC COMMISSIONER

INFO: CHIEF COMMISSIONER

POLAD (A)

POLAD (B)

FLOAT 2

FILE

ACTION

HEADQUARTERS

1 JUL 1946

A. C.

446

W/1/7

*See memo 2
Licio 3*

785017

WITHDRAWAL NOTICE

RG 331
 Acc - Italy
 Box 210
 Folder 10000/109/336

1445-440

1 dec / 26 pages

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Date

105
6/13/74

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Authority

Date

6/13/74

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