

1599

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

785017

ACC

10000/109/593
(VOL. II)

1600

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

785017

10000/109/593
(VOL. II)

ARMISTICE TERMS
NOV. 1945 - JAN. 1946

1601

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

785017

Capt. Braybrook

212

Sir, Please see Folio 184 for info which appears to have got in to E.C. Christ. Minutes 186-189A also refer.

~~217~~ 213

B. 17/10

Thank you - this seems to be going on on a very high level & C.A. is reacting - no further action on our part at the moment.

B. 17/10

~~Please~~
see Folio 184

~~217~~ 214

Folio 184 do info - 186 & 189A refer. Suggest we keep on - see 213.

B. 17/10

Chief Commissioner. 215

~~216~~

Attached is submitted for your signature information

MS/27/11

~~217~~

Noted by CO *[Signature]*
1433

1802

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

785017

Chief Commissioner. 215

24b

Attached is submitted for your signature information

MS/27/1

217

Noted by CO
1435
J.S.

JAN 28 1960

4295

1603

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

785017

1946
193
To Comm
Pse see folio 8 for info
Pse see folios 191 & 2 for info
0513 22/11

195

Executive Commissioner.

Sir,

Reference Polics 193 + 192.
and 4.

This cable is in two parts. Folio 4 arrived first this morning; Folio 193 was received this afternoon. Folio 192 has already been seen by the Chief Commissioner who, in view of the obvious error in the first para, has asked for it to be re-serviced. A copy of Folio 192 has been sent to the Chief Commissioner's villa this afternoon.

*Leavevacat copy
substitution of
3 + 4*

195 27/XI

196

Chief Commissioner.

Attached is submitted for your signature information

196
Noted for 29 DEC 195
0845

196

1604

785017

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

8-196

Chief Commissioner

Attached is submitted for your signature in caption

Mr [unclear]

Noted for [unclear] 29 DEC 0845

(198)

Chief Commissioner

With your approval I propose to hold on 7 Dec a preliminary meeting with VPs & Heads of Service, 129, & Independent Sub Coms to discuss recommendations to be made to you.

Mr [unclear]

(199)

Daylee GND cc

b/11

(200)

1 6 0 5

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

785017

PAGES MISSING OR
PAGINATION INCORRECT -
FILMED AS FOUND

1606

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

Chief Commissioner.

(184)

Attached is submitted for your signature information

P184 (187) 11/16/41
F.C. Do not agree with all of this. Yes

188

Chief Commissioner

Do you wish to discuss with myself or
CD Humphreys or both? 11/30/41

F.C. Both, pls - plus Col. Weber
WJ

b/12

189A -

C.C., E.C., Ch.A. & D/ChA conferred 15. Dec.
Ch.A. is taking action.

17/12

4252

1607

785017

177.

Personally I feel with to be quite fair
 to Italy we served press for publication
 of the two documents in the U.K. and U.S.
 They have so far only appeared in the
 Italian press and even only in a quite unofficial
 manner.

To C.S.O. on return
 H.E.D. 24/11 178.
 1. Please see 177 ref 176. Polad (A) has already on 24
 said telephonically that he agrees to the raising of the
 of publication.
 2. It is understood that H.E. is afraid raising
 this question himself, but that if the Chief
 Commissioner, in conjunction with U.S. Embassy,
 asks him to, he will.

St. Kopenian
 . Pot. ad. (B)

St. 24/11

Ex. Comm.

180

1) See the mins 177 & 178 ref folio 176: it, in turn
 should be the same as 175

To C.S.O. on return

4/10/50

ERS 24/11

178.

J. K. Kaperian

Pot. ad. (B)

1. Please see 177 ref 176. Pot. ad (A) has already ^{the} said telephonically that he agrees to raising question of publication.

2. It is understood that H.E. is opposed raising this question himself, but that if the Chief Commissioner, in conjunction with U.S. Embassy, asks him to, he will.

BS 24/11

Ex Comm.

180

1) Please see 177 & 178 ref folio 176: it, in turn refers to folio 166, Vol 1 (att'd) H.E. will not take action unless planned by C.E.

BS 26/11

180A

2) Please see 175 and enclosure for info 1291
ERS 24/11

(185)

180. (1) No action. 7/7/26/11

1609

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

785017

CIPHER ²⁶⁰⁸

II. COMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

215

Originator's Reference: F59462
Date/Time of Origin: 252237A

Message Centre No: G/8130
Date Time Rec'd: JAN 26 1500
Precedence: ROUTINE

FROM: AFHQ SIGNED SACMED CITE FHGEG
TO : ACTION ALCOM ROME

Confidential

SECRET.

THEREFOLLOWS THE TEXT OF FAN 640 "NAF 1094 REFERS.

PARA 1. IN VIEW OF TIME WHICH HAS ELAPSED AND SINCE ITALIAN GOVT HAS NOT RENEWED THEIR REQUEST FOR PUBLICATION OF AIDE MEMOIRE AND LETTER DATED 20 NOVEMBER 1943 YOU SHOULD TAKE NO FURTHER ACTION ON PUBLICATION.

PARA 2. IF ITALIAN GOVT SHOULD RENEW THEIR REQUEST THROUGH DIPLOMATIC CHANNELS AMERICAN AND BRITISH AMBASSADORS WILL BE INSTRUCTED TO INFORM ITALIAN GOVT THAT PUBLICATION OF THESE DOCUMENTS UNDER REFERENCE IN WASHINGTON LONDON AND ROME IS IN OPINION OF US GOVT AND UK GOVT UNNECESSARY IN VIEW OF PUBLICATION WHICH HAS ALREADY TAKEN PLACE IN ITALIAN PRESS.

AC DIST.

ACTION: EX COMMISSIONER (2)
INFO : CHIEF COMMISSIONER
POLAD(A)
POLAD(B)
SKELETON
FILE.

4230 ^{29/4}

See Min. 216-217.

1610

Declassified E.O. 12356 Section 3.3/NND No. 785017TOP SECRETRef: 2806/EC.8 Dec 1945.

SUBJECT: Armistice Terms.

TO : Allied Force Headquarters.
Attn: G-5 Section.

Confidential

1. In your #55392 of 5 Dec 45 you instructed me to send my views as to abrogating or modifying the terms of the Armistice without prejudice to Allied military requirements or to any question which will fall to be decided in the eventual peace settlement.

2. If we follow the public utterances of the leaders of the United Nations the terms of PAN 487 and (notwithstanding certain restrictive financial directives received subsequently) the policy underlying these statements and directions: if we study the long terms of the Armistice and your commentary recently made thereon, we can arrive at only one conclusion, namely, that the Armistice is out of date; most of the clauses have been superseded by events, the remainder have with few exceptions been modified in implementation and the instrument, designed for the surrender of an enemy in war, enjoyed immediate modification as a result of co-belligerency during war and now is practically inapplicable. If it were thought that Italy was ready for a Treaty then it must be admitted that she is ready for a new formal relationship, which, while perhaps less than that of ~~an ally~~ a member of the United Nations is certainly more than that of a defeated nation.

3. Moreover, from the purely practical point of view an examination of the existing Armistice Terms demonstrates that any attempt to modify or abrogate the articles of the document piecemeal would leave an instrument so tattered and unbalanced as to be quite unusable. 204

4. We recommend, therefore, that the Armistice Terms be abrogated altogether and be replaced by an Agreement of which a proposed draft is attached. The probable is such the same as that prepared for AFPS in September.

5. The general clauses reflect reciprocal aid. The political clauses make reference to free and democratic government, a plebiscite or referendum on the institutional question which must be the first concern of both the Allies and Italy. The armed services are covered by a blanket clause which is not very satisfactory, but which appears necessary because control of the Italian Navy and Air Force has not yet been handed back to the Italian Government, and because to show the consequent discrimination between the Army and the other services would be invidious. In this respect I have assumed that the abrogation of the Armistice Terms does not necessarily suppress the Cunningham-de Courten Agreement. Perhaps it may be possible to relax control of the Italian Navy and Air Force sufficiently to be able to include a clause to this effect in the Agreement. The rights and privileges of the Allied Forces would be covered by the civil administration.

1611

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

785017

-2-

210

arrangements originally proposed to come into effect with the Peace Treaty but which under our proposal would be applied with such an interim Agreement. As already expressed at SACMEI's Conference of 4 Oct 45, Minute 8, I would most strongly recommend that one Allied instrument on the lines of the US draft be prepared and that certain clauses be modified. A cultural clause covers reciprocal action regarding works of art. I have included provision for an Allied Police Mission the acceptance of which by the Italian Government would be more probable in the manner proposed. Finally, an Allied Liaison Mission is recommended. There is little doubt that a Mission of this nature will be necessary to interpret your views to the Italian Government and vice versa.

6. Such an Agreement replaces the existing Armistice Terms by a document which reflects more accurately the present relation between Italy and the United Nations and the latter's confidence in the Italian people, which adequately safeguards Allied interests and is in line with Allied policy towards Italy as we understand it.

Confidential

ELDER W. STONE
Rear Admiral, USNR
Chief Commissioner

* As used "you" and "your" refer to SACMEI.

Copy to: US Ambassador
Br Ambassador
Polad (A)
Polad (B)
A/VP Econ Sec
A/VP CA Sec
Dir, Navy S/C
Dir, Land Forces S/C
Dir, Air Force S/C
Dir, Comms S/C

For personal
information 1288

1612

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

785017

PAGES MISSING OR
PAGINATION INCORRECT -
FILMED AS FOUND

SECRET

TOP SECRET

CONFIDENTIAL

INTERIM AGREEMENT TO REPLACE EXISTING AGREEMENTS

This Agreement is entered into between the undersigned, Lieutenant General MORICIS, etc., Supreme Allied Commander Mediterranean Theatre on behalf of the United Nations and the undersigned, _____ representing the Italian Government and duly authorized to sign on its behalf.

Whereas in the course of the conduct of their war against the Axis powers which at that time included Italy, then subject to Fascist domination, it became necessary for Allied Forces to invade and occupy certain portions of Italy and set up Allied Military Government therein,

And Whereas after the fall of the Fascist Ministry formerly in power, the Italian Government applied to the Allies for an armistice and an Agreement of Armistice was executed on 3 September 1943 at Fairfield Camp in Sicily, the provisions of which were subsequently amplified by a document executed in Malta on 29 September 1943 and known, in accordance with a protocol executed at Brindisi on 9 November 1943 as "Additional Conditions of Armistice with Italy",

And Whereas the Italian Government declared war on Germany on 13 October 1943,

And Whereas the Italian Government has cooperated with the Allies and has been of substantial assistance to them in the prosecution of the war against Germany,

And Whereas in consequence of the increased ability of the Italian Government to restore their administrative machinery and to resume the functions of government it has been possible to hand back successively to Italian jurisdiction the whole of Metropolitan Italy with the exception of the Province of UDINE, through which Allied lines of communication run to AUSTRIA, and to

4280

785017

1613

on 9 November 1943 as "Additional Conditions of Armistice with Italy",

And Whereas the Italian Government declared war on Germany on 13 October 1943,

And Whereas the Italian Government has cooperated with the Allies and has been of substantial assistance to them in the prosecution of the war against Germany,

And Whereas in consequence of the increased ability of the Italian Government to restore their administrative machinery and to resume the functions of government it has been possible to hand back successively to Italian jurisdiction the whole of Metropolitan Italy with the exception of the Province of UDINE, through which Allied lines of communication run to AUSTRIA, and 4260 Provinces of ROMA, GORIZIA, FRIULI, and TRIESTE,

And Whereas the Italian Government has undertaken to purge Italian administration and legislation of fascism and to eliminate fascist teaching from Italian education,

And Whereas the Italian Government has further agreed to set up a free and democratic form of government,

X - This is promised on restoration of Northern Provinces.

785017

1614

1615

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

785017

PAGES MISSING OR
PAGINATION INCORRECT -
FILMED AS FOUND

785017

-2-

208

and therefore it is and has been the desire and intention of the Allies to assist the Italian Government in the difficult task of restoring the signing of a Treaty of Peace between the Italian Government and the United Nations, to encourage the Italians in the light of the declaration made 26 September 1944 by Prime Minister Churchill and the late President Roosevelt.

Now therefore it is agreed

The conditions of Armistice executed at Fairfield Camp in Sicily dated 3 September 1943, and the document executed in Malta on 27 October 1943 and known in accordance with the protocol executed at Reindisi on 5 November 1943 as "Additional Conditions of Armistice with Italy", and the Terms of Restoration of Italian Territory effective 11 February 1944 and similar documents executed thereafter respecting specified areas of Italian territory shall from the date of execution of this Agreement be null, void, and of no further force or effect, and the following provisions shall govern the relations of the parties hereto.

1. The Italian Government will do all in its power to assist the interests of the United Nations and of the Allied Forces in Italy.
2. The United Nations will continue to assist the Italian Government and people towards the speedy restoration of their political and economic life.
3. Relations between the Italian Government and Nations of the Allied Forces in Italy will be covered by "Arrangements for Civil Administration and Jurisdiction concerning Allied Forces in Italy" attached to and forming part of this Agreement.
4. The Italian Government shall have full jurisdiction and power of administration over all territory restored to them, free of control by the Allied Forces except as set forth in this Agreement.

284

1617

785017

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

of execution of this agreement be null, void, and of no further force or effect, and the following provisions shall govern the relations of the parties hereto.

1. The Italian Government will do all in its power to assist the interests of the United Nations and of the Allied Forces in Italy.
2. The United Nations will continue to assist the Italian Government and people towards the speedy restoration of their political and economic life.
3. Relations between the Italian Government and Nations of the Allied Forces in Italy will be covered by "Arrangements for Civil Administration and Jurisdiction concerning Allied Forces in Italy" attached to and forming part of this Agreement.
4. The Italian Government shall have full jurisdiction and power of administration over all territory restored to them, free of control by the Allied Forces except as set forth in this Agreement and the Agreement referred to in para 3 above, or when requested by the Italian Government.
5. Italian diplomatic relations with other States will be solely within the competence of the Government of Italy.
6. The Italian Government recognises as likewise binding upon it the allied pledge to the Italian people that they may determine their own form of Government. To ensure the fullest possible expression of the wishes of the Italian people the Italian Government undertakes to submit the institutional question to the Italian people in the form of a plebiscite or a national referendum and to introduce such further legislation as may be necessary to achieve this object.

-3-

207

~~Confidential~~

7. The Italian Armed Forces will be under the command of the Italian Government subject to the provisions made known to them by the Supreme Allied Commander and agreed by the Italian Government.

8. The Italian Government agrees that the existing Navy, Army and Air Force Sub-Commissions will be accepted by them as missions to advise and assist the Italian Government in matters pertaining to their respective Services.

9. The Italian Government agrees that the existing Public Safety Sub-Commission of Allied Commission will be accepted by them as a Police Mission to advise and assist the Italian Government in matters pertaining to Public Security.

10. The Italian Government agrees that no new fortifications or military installations, land, sea or air, shall be constructed and no new armaments or defences added to existing fortifications without permission of the Supreme Allied Commander.

11. The Italian Government agrees to limit the manufacture, production and construction of, war material and its import, and export, to the extent authorized by the United Nations.

12. Italy shall have full commercial and financial intercourse and dealings with any foreign country subject to limitations already made known and which are being progressively modified in consultation with the Italian Government.

13. The Italian Government agrees to maintain and operate an effective foreign exchange control agency for the purpose of implementing the international economic objectives of the United Nations Governments and to assure the most effective use of Italy's foreign exchange resources. The Italian Government agrees to continue in consultation with the appropriate United

203

11. The Italian Government agrees to limit the manufacture, production and construction of, war material and its import, and export, to the extent authorized by the United Nations.

12. Italy shall have full commercial and financial intercourse and dealings with any foreign country subject to limitations already made known and which are being progressively modified in consultation with the Italian Government.

13. The Italian Government agrees to maintain and operate an effective foreign exchange control agency for the purpose of implementing the international economic objectives of the United Nations Governments and to ensure the most effective use of Italy's foreign exchange resources. The Italian Government agrees to continue in consultation with the appropriate United Nations diplomatic missions in Rome, measures to be adopted in support of the international economic objectives of the United Nations.

14. Nothing in this Agreement shall be construed as disposing of any question or determining any controversy which may arise respecting the ultimate disposition of any Italian territory, nor as adjudicating upon any matter relating to any boundary which may now or hereafter be in dispute. All such questions and any questions relating to sovereignty are for disposition in the Peace Treaty.

4-

206

Confidential

15. The Italian Government recognizes the obligation to make restitution or reparations to the United Nations for the full cost of the Allied occupation of Italy, including restitutions to nationals of the United Nations for damage suffered by property located in Italy and owned by such nationals. Nothing in this document is to be construed as constituting a final settlement of, or impairing the full rights of the Allied Forces and the United Nations to:

- (a) reparations from the Italian Government for war damage suffered by the Allied Forces and the United Nations at the hands of the Italian people or Government;
- (b) the full cost of the Allied occupation of Italy;
- (c) the obligation of the Italian Government to assume responsibility for all AM lire currency issued or to be issued by the Allied Forces, to withdraw, redeem and hand over free of cost such AM lire currency and other currencies issued by the United Nations, and to make available such Italian currency as the United Nations may require.

16. The Italian Government agrees to despoil as soon as possible property of the United Nations heretofore sequestered. Pending such despoilment, the Italian Government will take all necessary steps to safeguard such property.

17. The Italian Government agrees to trace and return to those rightfully entitled those works of art now in Italy which were the property of Allied Governments or nationals and of which the owners have been wrongfully deprived. The United Nations agree to reciprocal action.

18. In the event of the Italian Government's failure to observe or comply with any of the terms contained in this Agreement or in the event of external aggression, the Supreme Allied Commander reserves the right to take such action, including the reimposition of restrictions and control and the use of armed force as he deems necessary.

16. The Italian Government agrees to de-sequester as soon as possible property of the United Nations heretofore sequestered. Pending such de-sequestration, the Italian Government will take all necessary steps to safeguard such property.

17. The Italian Government agrees to trace and return to those rightfully entitled these works of art now in Italy which were the property of Allied Governments or nationals and of which the owners have been wrongfully deprived. The United Nations agree to reciprocal action.

18. In the event of the Italian Government's failure to observe or comply with any of the terms contained in this Agreement or in the event of external aggression, the Supreme Allied Commander reserves the right to take such action, including the reimposition of restrictions and control and the use of armed force, as he deems necessary.

19. An Allied Liaison Mission shall be established, under the authority of the Supreme Allied Commander for the mutual regulation and implementation of the terms of this Agreement including the arrangements for Civil Administration and Jurisdiction concerning Allied forces in Italy and the solution of any questions which may arise therefrom. This Mission will also coordinate the activities of the Navy, Army, Air Force and Police Missions.

20. (a) The term "United Nations" in the present agreement includes the Supreme Allied Commander, the Allied Liaison Mission and any other authority which the United Nations may designate.

1622

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

-9-

Confidential
205

(b) The present instrument shall enter into force at once. It will remain in operation until superseded by any other arrangement or until the coming into force of the peace treaty with Italy.

(c) The present Agreement is drawn up in English and Italian, the English text being authentic.

4250

1623

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

CONFIDENTIAL.

URGENT.

HEADQUARTERS ALLIED COMMISSION
APO 394
Office of the Executive Commissioner

Ref: 2608/EC.

7 December 1945.

SUBJECT: Revision of Armistice Terms.

TO : A/VP, Economic Section
A/VP, Civil Affairs Section.
Dir, Navy Sub-Com.
Dir, Land Forces Sub-Com (PMIA)
Dir, Air Forces Sub-Com.
Dir, Communications S/C.
Chief Financial Advisor.
Chief Legal Advisor.

1. I should be grateful if you could attend a meeting to discuss the revision and abrogation of the Armistice Terms at 1500 hours today in my office.

2. After preliminary study the way I propose to tackle the question is to have a very short document either in the form of conditions or preferably in the form of an agreement which will cover:

- (a) preamble terminating the present armistice regime;
- (b) political clauses;
- (c) future of Italian armed forces;
- (d) rights of Allied forces (this will take the form of a civil administration agreement already in draft);
- (e) economic clauses.

3. Will you be prepared to make recommendations on the points which affect your Section or Sub-Commission.

M S L
Brigadier,
Executive Commissioner.

4279

AC DRAFT No. 1.

INTERNAL DOCUMENT TO REPL. OF EXISTING ARMISTICE TERMS.

This Memorandum of Agreement is entered into between the undersigned Lt. General Morgan, etc., Supreme Allied Commander Mediterranean Theatre on behalf of the United Nations and the undersigned _____ representing the Italian Government and duly authorized to sign on its behalf.

Whereas in the course of the conduct of their war against the Axis powers which at that time included Italy, then subject to Fascist domination, it became necessary for Allied Forces to invade and occupy certain portions of Italy and set up Allied Military Government therein.

And Whereas after the fall of the Fascist Ministry formerly in power, the Italian Government applied to the Allies for an armistice and an Agreement of Armistice was executed on 3 September 1943 at Fairfield Camp in Sicily, the provisions of which were subsequently amplified by a document executed in Malta on 29 September 1943 and known, in accordance with a ^{protocol} executed at Brindisi on 9 November 1943 as "Additional Conditions of Armistice with Italy".

And Whereas in pursuance of the provisions of the "Additional Conditions of Armistice with Italy" above referred to, the Allied Commission (originally designated the Allied Control Commission) was established in Italy with the object of regulating and executing the terms of such conditions of Armistice under the orders and general direction of the Allied Commander-in-Chief.

And Whereas the Italian Government declares war on Germany on 13

provisions of which were subsequently amplified by a document executed in Malta on 29 September 1943 and known, in accordance with a protocol executed at Brindisi on 9 November 1943 as "Additional Conditions of Armistice with Italy".

And whereas in pursuance of the provisions of the "Additional Conditions of Armistice with Italy" above referred to, the Allied Commission (originally designated the Allied Control Commission) was established in Italy with the object of regulating and executing the terms of such conditions of Armistice under the orders and general direction of the Allied Commander-in-Chief.

And whereas the Italian Government declared war on Germany on 13 October 1943,

And whereas the Italian Government has cooperated with the Allies and has been of substantial assistance to them in the prosecution of the war against Germany.

And whereas, because of the increased ability of the Italian Government to re-create their administrative machinery and to resume the functions of government, it has been possible successively to hand back territory to their jurisdiction subject to the reservation to the Allied forces within such territory of certain powers and rights.

And whereas it is and has been the desire and intention of the Allies to assist the Italian Government in the difficult tasks which lie before

-1-

-2-

it and, pending the signing of a Treaty of Peace between the Italian Government and the United Nations, to encourage the Italians in the light of the declaration made 26 September 1944 by Prime Minister Churchill and the late President Roosevelt.

Now therefore it is agreed.

I. Abrogation of Prior Agreements.

The conditions of Armistice executed at Fairfield Camp in Sicily dated 3 September 1943, and the document executed in Malta on 27 October 1943 and known in accordance with the protocol executed at Brindisi on 9 November 1943, as "Additional Conditions of Armistice with Italy", and the Terms of Restoration of Italian Territory effective 11 February 1944 and similar documents executed thereafter respecting specified areas of Italian territory shall from the date of execution of this agreement be null, void, and of no further force or effect, and the following provisions shall govern the relations of the parties hereto.

1. The Italian Government will do all in its power to assist the interests of the United Nations and of the Allied Forces in Italy.
2. The United Nations will continue to assist the Italian Government and people towards the speedy restoration of their economic life.
3. Relations between the Italian Government and Nations of the Allied Forces in Italy are covered by Arrangements for Civil Administration and Jurisdiction concerning Allied Forces in Italy" attached to this agreement.

the relations of the parties hereto.

1. The Italian Government will do all in its power to assist the interests of the United Nations and of the Allied Forces in Italy.
2. The United Nations will continue to assist the Italian Government and people towards the speedy restoration of their economic life.
3. Relations between the Italian Government and Nations of the Allied Forces in Italy are covered by Arrangements for Civil Administration and Jurisdiction concerning Allied Forces in Italy" attached to this agreement.
4. The Italian Government shall have full jurisdiction and power of administration over all territory restored to them, free of control by the Allied Forces except as set forth in this agreement, or in case of military necessity or when assistance or advice may be requested by the Italian Government. The right is reserved by the Supreme Allied Commander to establish total or partial Allied Military control over any area in Italy if he considers that the military situation renders such a step necessary.
5. Italian diplomatic relations with other States will be solely within the competence of the Government of Italy.
6. The Italian Government recognise as likewise binding upon it the Allied pledge to the Italian people that they may determine their own form of Government. To ensure the fullest possible expression of the wishes of

1628

785017

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

201

the Italian people on this important question the Italian Government undertakes to submit the institutional question to the Italian people in the form of a plebiscite or a national referendum notwithstanding previous Italian legislation to the contrary.

7. Italian Armed Forces.

- (a) The Italian Army. The Italian Army will be under the control of the Italian Government and will be limited to a force of 140,000 troops and 65,000 Carabinieri.

The Italian Government will assume full administrative and supply responsibilities of these forces.

- (b) Italian Navy.

- (c) Italian Air Force.

8. The Italian Government agrees that no new fortifications or military installations shall be constructed and no new armaments or other defences added to existing fortifications without permission of the Supreme Allied Commander.

9. The Italian Government agrees to limit the manufacture, production

1629

8. The Italian Government agrees that no new fortifications or

military installations shall be constructed and no new armaments or other defences added to existing fortifications without permission of the

Supreme Allied Commander.

9. The Italian Government agrees to limit the manufacture, production and construction of, research and experimentation upon, war material and its import, export and transit, except as agreed upon by the United Nations.

10. Economics. There shall be full commercial intercourse, or dealings, with or for the benefit of any foreign country subject to ~~14376~~ **14376** tions hitherto laid down until such limitations shall be hereafter notified.

11. The Italian Government will establish and maintain an effective foreign exchange control agency for the purpose of implementing the international economic objectives of the United Nations Governments and to assure the most effective use of Italy's foreign exchange resources. The Italian Government will work out, in consultation with the appropriate United Nations diplomatic missions in Rome, measures to be adopted in support of the international economic objectives of the United Nations.

12. It is not intended in this Agreement to dispose of any question or predetermine any controversy which may arise respecting the ultimate disposition of any territory heretofore Italian, nor to adjudicate upon any matter relating to any boundary which may hereafter be in dispute. All such questions and any questions relating to sovereignty are for disposition by and between the United Nations and the Italian Government.

13. Nothing in this document is to be considered as constituting a final settlement of or impairing the full rights of the Allied Forces and of the United Nations to reparations from the Italian Government for war damage suffered by them at the hands of the Italian people or Government or settlement by the Italian Government including the full cost of the Allied occupation of Italy. The Italian Government recognizes the obligation to make restitutions or reparation to the United Nations for the full cost of the Allied occupation of Italy and the Italian campaigns.

14. In the event of the Italian Government's failure to observe or comply with any of the terms contained in this agreement, the Supreme Allied Commander reserves the right to take such action, including the re-imposition of restrictions and control and the use of armed force, as he deems necessary.

15. An Allied Liaison Mission shall be established, under the authority of the Supreme Allied Commander, to coordinate the work of the Army, Navy and Air Force Missions, and to act as intermediary between the Supreme Allied Commander and the Italian Government for the mutual regulation of the terms of this Agreement and the solution of any questions which may arise therefrom.

²⁶⁰⁸
INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

(197) (2)

Originator's Reference: F 55392
Date/Time of Origin: DEC 041735AMessage Centre No: G/4896
Date Time Rec'd: DEC 050900A
Precedence: IMPORTANT

FROM: AFHQ SIGNED SACRED CITE FIVEG

TO : ACTION: ALCON ROME

TOP SECRET

DEC 5 1944

TOP SECRET.

Para 1. The following message has been received from C.C.S.

Quote. This is FAN 629.

The U.K. and U.S.A. Governments have considered the desirability of revising the Italian armistice terms.

You should therefore, in consultation with the U.K. and U.S.A. representatives in ITALY, report to the C.C.S. which clauses of the armistice terms you think can now be abrogated or modified without prejudice to Allied military requirements or to any question which will fall to be decided in the eventual peace settlement. Unquote.

Para 2. The view(s) of ALLIED COMMISSION are desired as a matter of urgency.

AC DIST

ACTION: EXEC COMMISSIONER (2)

INFO: CHIEF COMMISSIONER
FILE (SKELETON)
POLAD(A)+(B)
CSO.

Seen by

See in 1982/1974

TOP SECRET

1 6 3 2

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

785017

PAGES MISSING OR
PAGINATION INCORRECT -
FILMED AS FOUND

1633

Declassified E.O. 12356 Section 3.3/NND No. 735017

TOP SECRET ²⁶⁰⁸
INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

Originator's Reference: **FX 54586**
262141 A

Message Centre No: **G/4477**
G/4441
28 1500

Date/Time of Origin: **NOV 29 1945**

Precedence:

FROM: **AFHQ SIGNED SACRED**

TO: **AGWAR FOR COMBINED CHIEFS OF STAFF; BRITISH CABINET OFFICES**
WHITEHALL FOR CHIEFS OF STAFF. ACTION. ALCOM, ROME FOR INFORMATION

This is NAF 1094

Reference is made to NAF 1084 on Subject of Publication of Italian Armistice Terms.

On 6 November the Italian Government submitted identical requests to the American and British Ambassadors requesting simultaneous publication in London Washington and Rome of the following documents

(A). Aide Memoire to accompany the Conditions of Armistice presented by General Eisenhower to the Italian C in C (also known as the Quebec Document). This document was presented in Lisbon to General Castellano by General Bedell Smith and contains a statement to the effect that the Armistice Terms do not contemplate active Italian assistance in fighting the Germans but that the extent to which the Terms would be eased in favour of Italy would depend on how far the Italian People and Government aided the United Nations in the war against Germany. (B) Letter dated 20 November 1943 from Marshal Badoglio addressed separately to President Roosevelt and Mr Churchill. This letter was written as a form of protest against the Amendment dated 17 November 1943 of the Cunningham-De Courten agreement, whereby the United Nations extended their rights in regard to the disposition of Italian Shipping.

On 8 November Signor Parri forwarded to the Allied Commission copies of the letters by which the above requests had been made to the Ambassadors.

Para 4. There is no Military objection to the publication of these documents in so far as the theatre is concerned and it is considered that such a course would help towards better understanding of the Italian position here and abroad.

Para 5. Unfortunately, while the Italian Government's request was still under consideration here, the substance of both documents appeared in a Rome Newspaper, evidently owing to a leakage from some Italian Government source.

Para 6. The desirability of demanding from the Italian Government an explanation of this premature release without Allied agreement has now been considered here and I do not think that such a course would be expedient.

TOP SECRET

See hint 2.7
 29-11-45

PAE

1634

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

785017

EX 54586

NAF1094

TOP SECRET

SHEET No. 2.

G/4441
G4477

Confidential

Para 7. In view of the fact that the substance of the documents has only appeared in one of the newspapers and not in the form of an Official Release, compliance with the Italian Governments request as set out in para 2 above is recommended.

Para 8. If simultaneous publication is approved, it is requested that I may be advised of date and time of release in London and Washington in time to make necessary arrangements here.

A.C. Distribution

Info- Action + Ex Commissioner 2
 Info + Chief Commissioner
 + Polad (A)
 + Polad (B)
 + File

M. C. Note

This is the correct version sent by AFHQ Signals
 The reference to NAF 1084 in The first para should
 probably refer to NAF 1083 of the 31 October 45
 Subject, Publication of Italian Armistice Terms
 AFHQ Ref FX 51220. Allied Commission's No. G/2525

4271

TOP SECRET

1635

785017

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

2605 24/

24
19/

HEADQUARTERS ALLIED COMMISSION
AND 394
LEGAL SUB-COMMISSION

/ndn

NA/4011/2/1.

27 November 1945

NOV 28 1945

SUBJECT: Scope of the Arbitration.

TO: ~~General 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.
5. Furthermore the document known as the Caserta agreement, which it is understood provided for the administration of the whole of Venezia Giulia was unilaterally broken, and eventually replaced by the two agreements above referred where the 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 by delegation of authority under its provisions and the Allies become responsible

See M194
4270

(COPY 13)

1636

785017

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

(190)

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.

S. S. Humphreys

S. S. HUMPHREYS
Lt. Col.,
Deputy Chief Legal Advisor.

Copy to :

Executive Commissioner
Colonel (A)
Colonel (B)
Colonel (C)

4269

1637

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

785017

HEADQUARTERS ALLIED COMMISSION
APO 394
LEGAL SUB-COMMISSION

AC/4014/2/L.

24 November 1945

SUBJECT : Scope of armistice terms.

NOV 26 1945

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

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

See 4268
in 186 187 188 189 190
M. 212, 213 & 214.

E
(CAPT E)

183

A. - STATUS OF AREA D

The opinion of this 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 Japanese military administration or whether such territories came 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) - Scope of the armistice terms

1. The document known as the "Long terms of the armistice" was signed at Milan 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 because the supreme enforcing authority through an "Allied Commission representative of the United Nations charged with regulating and executing this instrument under the terms of the G in G" (Arts. 3, 4, 5, 6, 7 etc. arts. 35, 36, 37 and 38 of armistice terms refer).

4. Therefore it stands to reason that as the Allied troops under the direct command of SACMUN (new designation for the Allied G in G) gradually overran other parts of Italy, the armistice terms became enforceable in newly controlled territories through the machinery and process devised in the instrument itself. Therefore in these territories SACMUN, AG and their delegates were the only legitimate Allied authority which the Italian authorities were bound to acknowledge.

1639

785017

3. Under the armistice the United Nations acquired certain rights and the Italian Government assumed certain duties. In order to effect 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" representation of the United Nations charged with regulating and executing this instrument under the terms of the C in C. (Arts. 3, 4, 5, 6, 7 etc. Arts. 35, 36, 37 and 38 of armistice terms refer).

4. Therefore it stands to reason that as the Allied troops under the direct command of SHAEF (now 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 (Greece, AD 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-division 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 SHAEF or not. It is, however, the opinion of this sub-division 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 Trieste, Gorizia and Udine.

182

the city of Trieste. The Yugoslav 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 State. (See previous letter of 15 June 1945).

7. Before that date a series of agreements were entered into by both the Allies and the Yugoslavs in order to determine the status of Venezia Giulia which would be administered by the Yugoslavs respectively. These agreements known as the Morgenthau-Lovrenovic agreement and the Belgrade agreement giving Venezia Giulia in two zones: Zone A under Allied Zone B under the Yugoslav administration.

(a) - Yugoslav point of view

8. That the Yugoslavs consider that the administration of Zone B was their sole responsibility (and not carried out on behalf of the United Nations) that they accepted their point of view is clearly established by para 7 of the Belgrade agreement which reads "the military occupation and administration by Yugoslavia of parts of Venezia Giulia east of the line in no way prejudges or affects the ultimate disposal of that area."

9. That the Yugoslavs consider that the armistice terms do not apply to territories under their administration and not even to the part of Venezia Giulia under UN is further proved by the nomination 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 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 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 Government on the people of Zone B 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 B decisions of the Court of Appeal of Trieste given before their

1641

785017

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

9. That the Yugoslav consider that the armistice terms do not apply to territories under their administration and not even to the part of Venezia Giulia under him in further proved by the commission of the Yugoslav delegation to the Allies asking that in Zone I, "the old system of the Italian administration should not be resumed."

This contention has been officially voiced by representatives of the Yugoslav 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 I.

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 I 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 Zone I decisions of the Court of Appeal of Trieste given before their occupation, seizure of all material archives and dismissal of personnel, establishment of Yugoslav Civil Courts, trials of Italian officials of Zone I by a Yugoslav Military Court at Trieste etc.

(d) - ALLEGED POINT OF VIEW

12. As far as can be ascertained from available documents it is clear that if the Allies are of opinion that Zone I 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 ZUCCHINI had delegated his powers under the armistice to the Yugoslav authorities. As a

181

matter of that General Morgan's memorandum of 16 June 1945 sets out that "Art. 4 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 on IAD."

14. Proclamation N. 1 has not been posted in any of those proclamations and orders are issued by the Yugoslav authorities on behalf of the legitimate Government (currency order etc. refer). Therefore the authority of IAD to exercise any, essentially, delegate his powers has never been established in that Code.

(e) - Conclusion

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

14. By way of consequence the administration of Zone E of Venezia Giulia by Yugoslavia is governed solely by the relevant rules of international law of military occupation (Dagva 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.

180

2. - ISSUE OF CURRENCY BY THE JERUSALEM AUTHORITY.
EMERGENCY OF THE JERUSALEM GOVERNMENT.

The questions put to this Sub-Commission are

- (a) In the issue of new currency by the Jerusalem authorities in Zone B of Venetia Giulia legal.
- (b) If so, is the Italian Government compelled to redeem such issues under the existing 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 issue of currency might amount to a fundamental change in institutions, which is prohibited under the League Regulations.

5. As stated in our previous opinion it does not appear from either facts or documents that the ordinance bears apply to Zone B and consequently Art. 23 (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.

letter
of
15 Nov. 45.

785017

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

Letter
of
15 Nov. 45.

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 unless it is not only for his own purposes, but also for payments among inhabitants.

4. In the absence of a general 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 transition terms apply to Zone II and consequently Art. 43 (financial provisions) of this instrument "also apply" 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 expensive liabilities.

7. This is especially true of Zone B which will in all probability come 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.

4202

1645

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

785017

AG/45/3/16

23 November 1945

My dear Mr. Kirk,

NOV 21 1945

It has occurred to me that if there is to be a revised armistice document or a provisional peace (as the Italian Government are requesting) a phrase regarding Italian franchise might well be inserted. This clause should bind the Italian Government to establish democratic, legislative and administrative bodies, and to ensure that elections to the same be free, secret, independent, and be held as soon as possible.

In the last few days the drafts of proposed laws for elections to the Constituent Assembly and to Provincial and Communal Councils have reached me and have been examined. While these Drafts represent an advance in some respects upon anything that has previously been communicated to me, they are subject to alteration at the hands of the Council of Ministers and the Consultative Assembly.

I therefore feel that these draft laws do not lessen the desirability of obtaining an explicit pledge from the Italian Government in any fundamental document which may substitute the existing armistice terms.

I would be most grateful if you would communicate the above to the State Department if you agree and recommend the inclusion of such a clause as I propose.

Sincerely yours,

MILERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honorable Alexander Kirk
American Embassy
Rome

See by EC. f. 2
f. 12

Copy to CC
B.C.V.

4261

A. f. 2
f. 12

(1945)

1648

785017

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

F 53632
Nov 191358A

0/3912

200930A

Routine

NOV 20 1945

AFHQ, and Secmed cite PIRG Reur 8461

Alcom R088

RESTRICTED

Restricted.

Para 1. Agree that in circumstances it would be inappropriate to raise question of premature publication of documents with Italian Government unless US and British Governments decide to do so.

Para 2. As documents have now been published it is not proposed to refer matter to combined Chiefs of Staff as recommended in your 8180.

Polad (A) ~~correct~~
will press

Vol I
AC DIST

Act : C.Comm.

Info : Br.Embassy

US "

Polad (A)

Polad (B)

Ex Comm.

File

RECEIVED
NOV 20 1945
A. C.

See hand 177.178
180.180A.185

4260

A. 12
6.1

RESTRICTED

(CAPT GRAY CROONE)

1647

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

785017

2608 170

(175)

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13002/F

20 November 1945

SUBJECT: Currency Circulation.

NOV 20 1945

TO : Chief Commissioner

174

1. I think you will be interested in the attached copy of an article entitled "Armistice Italy" from the London ECONOMIST of 10 November 1945.

2. The ECONOMIST has misinterpreted the figures it has apparently gotten from official sources on the currency circulation. We estimate the circulation at the present time to be some 285 billion lire, exclusive of the some 70 billion AM lire in the hands of the Italian public and the banks.

R. J. Immons
Acting Director
FINANCE SUB-COMMISSION *J. C. E.*

Incl: 1

Copies to:
Executive Commissioner
Acting Vice President, Econ. Sec.

See him 1/10/45

12/11/45

(MISS CAMPBELL)

1648

785017

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

(174)

THE ECONOMIST, November 10, 1945

ARMISTICE ITALY

The publication of the Allied terms to Italy in a White Paper issued this week is of little more than historical interest. More than two years have elapsed since Marshal Badoglio's acceptance of unconditional surrender; and during that time Italy's role has been strikingly transformed. From being defeated enemies the Italians have become "cobelligerents" or all but Allies. It is difficult to find a proper term for their present role in the traditional vocabulary of diplomacy and international law. The history of the armistice period, as reflected in the White Paper, throws into relief the fact that the unconditional surrender was never enforced; and that there has never been the slightest need to enforce it. Only three weeks after Italy's surrender, General Eisenhower stated that some of its terms had already become obsolete. In September, 1944, a year after the armistice, the Allies were in a position considerably to relax their control over the new Italian administration. The Italian Government was given the freedom to issue decrees and other legislative acts without obtaining Allied approval. The rehabilitation of the country's economy became the avowed purpose of Allied policy, and imports of food, coal and clothing to Italy soon began on a fairly generous scale. Italy's final contribution to the Allied cause has been fully acknowledged in the Allied countries.

In a sense the treatment of Italy by the Allies might be regarded as a very fruitful experiment in shaping a moderate peace without vengeance. Yet so far the experiment has been carried just far enough to show that it is in fact, inadequate. Technically - and partly in actual fact - Italy is still living under the armistice. Its territory is still occupied; and its Government has recovered only limited independence. The country seems to be fully ripe - perhaps over-ripe - for the transition from armistice to peace. Yet the Allied Powers have not yet been able to agree on the general lines and the details of a peace settlement. Consequently the country is politically in a state of suspense which cannot fail to hamper, indeed, to retard, its economic and political recovery.

For the first time since the armistice it is now possible to obtain a fairly accurate idea of the economic situation in Italy and to measure the effect of the obsolescent armistice on it. Generally speaking, Italy has - as was to be expected - emerged from the war in a state of impoverishment and disorganization. But its condition is not grim; and it has not suffered the total disintegration apparent in some European countries. The war damage inflicted on its economy is estimated by the Italian Government at about 20 billion dollars. The productivity of its agriculture has gravely deteriorated.

1649

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

(173)

This year's grain crop yielded 80 to 85 million quintals, compared with a pre-war yield of about 115 millions. The wheat crop amounted to 50 million quintals. This leaves the country with a deficit of 20 to 25 million quintals, which must be imported if the Italian people are to get a daily ration of 200 grams of bread. In other foodstuffs, the situation is incomparably worse. The supply of meat is down to a quarter, of sugar to one-tenth and of dry vegetables to one-half of the pre-war level. The soil has been seriously starved of fertilizers; and it will probably take a number of years before its normal yield is restored.

The transport system has suffered heavy losses. Only half the pre-war rolling stock is intact. But the state of the railways is no worse than that in most European countries; indeed, 62 per cent of the permanent way has escaped destruction. The merchant fleet, however, has been decimated. Only 350,000 tons - now included in the Allied pool - remain out of a pre-war tonnage of 3,300,000. Coastal shipping is reduced to one-third of its pre-war volume. Similarly, road transport has dwindled to 35 per cent, and its rehabilitation has been hampered for lack of tires.

The general situation in industry is illustrated by the following table, which shows the volume of output planned for the beginning of 1946 (in percentages of pre-war output):-

	Per cent.		Per cent.
Metal industry	33	Precision tools	100
Lead	80	Electrical equipment	110
Zinc	75	Chemicals	80-90
Aluminium	50	Textile manufactures	
Railway rolling stock	150	(wool and cotton)	180
Magnesium	100	Artificial silk	50
Motor cars	170	Footwear	100
Agricultural machines	120	Building industry	75
Naval construction	50	Food industries	60-100

The plan is ambitious. It shows the extent to which the capacity of Italy's heavy engineering, chemical, and light industries has remained intact or has even been expanded during the war. The shortage of fuel is, however, the Achilles heel of the plan. To keep the Italian industries running, coal imports at the rate of 800,000 tons per month would be needed. The quota of American imports has, however, been cut down to 126,000 tons per month. Imports of electrical equipment are needed to restore the power stations in southern Italy. (In northern Italy about 90 per cent of the electrical installation was saved by the partisans from destruction.) So far, 35 to 50 per cent of the power plants in southern Italy have been put back into commission, thanks to the import of electrical equipment from the United States. Oil, cotton, wool and cellulose have also come from the same source. Thus, Italy's recovery has so far been to a very large extent due to American assistance. Correspondingly, American influence on the Italian economy is becoming very marked.

4257

1650

785017

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

The picture emerging from these economic indices is one of a country struggling hard towards recovery. What is needed to stimulate the recovery is partly positive - a little more aid in food and coal - and partly negative - the removal of some remaining obstacles. There can be little doubt that the occupation regime, which up to a time helped in the economic rehabilitation, is now markedly impeding it. In some of the large cities about 40 per cent of housing accommodation has been requisitioned. But the most striking evidence of the disturbing effect of the occupation is to be seen in Italy's financial situation. The circulation has reached 285 billion lire compared with 22.5 billion in 1938; and of this total nearly one quarter - 65 billions - is currency issued by the occupation forces. That the Government has not yet been able to work out any financial policy is in part because of the incalculable inflationary effect of the occupation regime. The unresolved dispute over the reparations still to be paid by Italy further contributes to an atmosphere of economic uncertainty.

*

This uncertainty cannot fail to overshadow the political scene. Here, too, there are definite signs of recovery and stabilization. But there are also some unmistakable signs that any progress towards stability may easily be disturbed and upset. Briefly, the manifestations of stability can be summed up as follows: the reunion between southern and northern Italy did not lead to the violent collision between conservatism and revolution which might have occurred if the Allies had insisted on their original, rigidly pro-Conservative and pro-Monarchist policies. Most of the northern partisans have been enlisted in the new police force. Two problems thus seem to have been solved at a stroke - the "purge" of the police and the future of the partisan bands. There has been remarkably little social unrest so far. The controversy over Monarchy and Republic has been relegated to the background; and it has been widely accepted that the Monarchy in post-Fascist Italy is no more real than the 1875 Constitution in liberated France. Its burial is to be arranged in an equally undramatic manner after the election of Italy's Constituent Assembly next March.

That the Republic is almost certain to carry the day seems to follow from the fact that in Italy, as elsewhere in post-Fascist Europe, political life is, for the time being, settling down into the framework of a three-party system, in which a slightly progressive and slightly clerical Christian Democracy is the only effective and broadly based counter-balance to the Left. On the Left, it looked at one time as if the fusion between Socialism and Communism was going to be more real in Italy than elsewhere. Both parties were in almost equally bitter opposition to what they called the Churchillian policy of support for the House of Savoy at any price. The Socialists felt isolated; and they tended to look to Russia rather than to the west.

But two events have reversed the trend. The Labor victory in Britain gave a new stimulus and a new self-reliance to the Italian Socialists; and wittingly, the British electorate voted them out of their planned fusion with

256

1651

785017

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

(172)

the Communists. On the other hand, Signor Togliatti's support for the Yugoslav claims to Trieste and to the Soviet demand for reparations has probably weakened the appeal of Communism in Italy. All these trends suggest stabilization on a basis of radical, but not of extreme, republicanism.

Yet the political scene is still somewhat disturbed. Italy has now one and a half million men unemployed. The Government plans public works for the employment of 700,000 people at a cost of 136 billion lire. But hundreds of thousands will still remain without a job. Most of that reserve army of unemployed are former Fascists. They are a formidable nucleus for some sort of neo-Fascist movement, especially now that they have been re-accorded the right to participate in politics. Nor are they the only disgruntled elements. The index of the cost of living stands at 2000 (100 in 1943). Industrial wages have risen to 1000 while salaries have risen to 500 only. The lot of the industrial worker is hardly enviable; but the "white-collar worker" is relatively still worse off. A similar situation in the early 'twenties resulted in sharp antagonism between the industrial working classes and their organizations on the one hand and, on the other, the lower middle classes to which Fascism made its appeal. It is difficult not to see the makings of a similar antagonism in the present situation. The Italian democratic parties fear a recrudescence of Fascism in some new form; they fear also that the Western Powers may support it in order to keep the Left in check. Political observers see a disturbing symptom in the sudden, mushroom-like growth of the Party of the Common Man, whose political idiom suggests a leaning towards neo-Fascism.

The present Italian Government may perhaps be strong enough to deal with all these economic and political uncertainties if its position vis-à-vis the Allies can be strengthened. At the moment, it lacks in the economic sphere the margin of supplies which could make all the difference between a winter of discontent and unemployment and a reasonable economic recovery. Politically it is handicapped by its equivocal position - half-ally, half-vanquished; half a pillar of the new radical Europe, half an outcast from the United Nations. Even though Great Britain cannot make any substantial direct economic contribution to the restoration of Italian stability, it could do very much to increase the self-reliance and prestige of the Italian Government. A little more interest, a greater readiness to treat with Italy as an equal, some signs of a desire to end the anomalies of armistice and occupation could create a new mood in Italy, undo the disillusion of Churchillian diplomacy and lay the foundations of lasting Anglo-Italian understanding.

4255

1 6 5 2