

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

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10000/109/732
(VOL. I)

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10000/109/732
(VOL. I)

THE NEW DEAL FOR ITALY (CLOSED AT FOLIO 83)
AUG. 1944 - JAN. 1945

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

605

0285

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

77

Cos
76 for information. We have
this. 1/27/77

Seen by CC 78.
JAN 27

TDV/scd

662

Chief Commissioner

Approved for your information/signature/approval.

CofS
Noted. Info
19/10/00

MS/100

73

Cos To see 72. As regard the
public statement mentioned in
last year, Mr. W. has arranged
for a copy to be sent. A letter
he will circulate to CC & 603
After AC has been taken
Comments he will inform
Applicant the statement.

Sign

73

Cos To 500 72. As regard the
public statement mentioned in
last para. Mr. W. has arranged
for a copy to be sent. A letter
he will circulate to CC & 603
A/ptn AC. has been made then
Comments he will inform
Appendix to Statement
S. 20/1

Chief Commissioner.

73 should be submitted for your information/signature/approval.

602

MS/26/1/45.

C.O.S.

(15)

Already submitted separately by Mr. Wyndham to C.C.
J.A. Quaghe 27/1/45. N.S.K. 27/1/45

36

C50 to see p 31

ent 12/11

37.

M Col to see 30-35

38.

12/11 memo to Mr. Ell 12/11

39.

This is a subject of such importance that
a copy of the tel. MOC 1 should be translated
into English or placed in the file.

JW/10/11

Cable 40

M Change: 9/11 19/11

See 33.

Col.

46.

To see 46-47.

Ell 25/11

M/25/11

Col.

53.

To see 49-52. This was received late on Saturday
night and a translation of 49-51 had to be made on
Sunday. C.C. has his copy. I do not think there is
anything you need comment on, unless it is the suggestion
I have made on the 25 of 11 that on the Advisory Council

Celebs.

40
18 Aug 1974
33

Col.

48.

To see 46 147.

25/11

79/25/11

53.

Col.

To see 49-52. This was received late on Saturday night and a translation of 49-52 had to be made on Sunday. C.C. has his copy. I do not think there is anything you need comment on, unless it is the suggestion in para 6 and 49 of a rep. of Italy on the Advisory Council

7/12/12

601

27/11

66 Jan 1974

69

→ Col. please see 67-68 (top - 1500)

13/11

1001

File

83

Extract of Minutes { Chief of Staff's Meeting held on 9 January 1945.

New Deal for Italy.

C/S announced that CS took immediate action in the matter of the draft joint public statement, circulated to Heads of Sections yesterday, and had sent a telegram to Mr. Macmillan suggesting two short amendments.

- 82
refers {
- (i) In the first sentence of paragraph 5 adding "with these countries with which it had diplomatic relations" after the word "relations" and
 - (ii) the insertion of the word "Regional" in front of "officers of the AG" at the end of paragraph 5, this latter to prevent AG being required to move out of Rome into AMG territory.

Some concern was expressed at the possible premature withdrawal of Allied officers and C/S said no one need have any fear that there would be precipitate action on any of the points in the draft statement. The draft formed the basis of the new deal and when we implemented the various stages of the plan was a matter to be decided generally in consultation with the Italians. The draft contained no new policy but was a summing up of the policies that had been developed over a period. This should be emphasised by Heads of Sections at their staff meetings.

C/S instructed PRO that no mention was to be made in the Weekly Bulletin or to the Press until the statement was released, which would be done simultaneously in London, Washington and Rome.

600

AP 12/2

82
29 January 1945.

I have the following comments to make on the draft joint statement of our two Governments with respect to Italy:

Paragraph 5, first sentence. After "relations", should not "with those countries with whom it has diplomatic relations" be inserted? The sentence as now drafted would appear to authorize and even compel the Italian Government to deal directly with any government, for example Yugoslavia and Greece, with whom Italy does not have diplomatic relations, and the Lublin Government, which is not recognized by the U.S. and U.K. Governments.

Paragraph 5, last sentence. Insert "regional" before "officers of the A.C.". This change is only to prevent A.C. Headquarters and Headquarters personnel being required to move from Rome into A.M.G. territory.

W. Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Mr. Harold MacMillan,
British Embassy,
Athens.

Telegraphed to Mr. MacMillan
599
1800 hrs 29/1/45

Ref: 1001/79/OCS.

29 January 1945.

Subject: "New Deal" for Italy.

To: VP Establishments Section
VP Civil Affairs Section
VP Economic Section
VP Political Section
Italian PW Sub Commission
IRO

NOTE OFFICIAL TO DRIVER

4815/... 29/1

(Invalued
0835m 20/1)

1. I enclose a copy of a draft Joint Statement designed to be issued on behalf of the Governments of the United States and United Kingdom about the Macmillan "New Deal".

2. It is desired to transmit the views of the Allied Commission by signal tomorrow to Mr. Macmillan, and it is therefore probable that the Chief of Staff (who is today at Caserta) will wish to discuss the draft statement at tomorrow's Chief of Staff Meeting.

SF
Colonel,
Chief Staff Officer.

Copy to: 20 to CO (letter only).

Dispositions

Draft of Joint Statement to be issued on behalf of the

Governments of the United States and United Kingdom.

The following joint statement was issued to-day on behalf of the Governments of the United States and United Kingdom.

2. On September 26th 1944, the President and the Prime Minister issued a joint declaration on the subject of Allied policy in Italy. They announced in particular that an increasing measure of control would be gradually handed over to Italian administration subject to the effective maintenance of law and order and regular administration of justice, and that the first steps would be taken for the restoration of Italian economy.

3. Dispositions have recently taken place in Washington concerning practical measures to give effect to this declaration, and Field Marshal Sir Harold Alexander, the Supreme Allied Commander in the Mediterranean Theatre of Operations, has now received directions from the Combined Chiefs of Staff in Washington to put these measures into effect through the Allied Commission at Rome.

4. The general purpose of these measures is to give the Italian Government a greater degree of authority and responsibility in territory under their jurisdiction. Accordingly in that territory, the provision of curricular instruction will be held in reserve in the matter of day to day administration, this will be subject of course to requirements of the Italian campaign and over-riding military needs. Relinquishment of the A.O. to the Italian Government will in general be one of advice and counsel rather than

...ly handed over to Italian administration subject to the effective maintenance of law and order and regular administration of justice, and that the first steps would be taken for the restoration of Italian economy.

3. Discussions have recently taken place in Washington concerning practical measures to give effect to this declaration, and Field Marshal Sir Harold Alexander, the Supreme Allied Commander in the Mediterranean Theatre of Operations, has now received directions from the Combined Chiefs of Staff in Washington to put these measures into effect through the Allied Commission at Rome.

4. The general purpose of these measures is to give the Italian Government a greater degree of authority and responsibility in territory under their jurisdiction. Accordingly in that territory, the provision of municipal administration will be held in reserve in the event of day to day administration, this will be subject of course to requirements of the Italian campaign and over-riding military needs. Relationship of the A.G. to the Italian Government will in general be one of advice and counsel rather than of control.

597

5. In particular, the Italian Government will in future conduct its relations direct and not through the A.G. The Commission will be kept generally informed of any negotiations which the Italian Government may engage with other Governments. The Commission will disseminate present practice of approving decrees and other legislation of the Italian Government, as well as approval of Italian Governmental appointments except those of military significance. The officers of the A.G. presently stationed in the territory under the jurisdiction of the Italian Government will be withdrawn as soon as possible and holding of elections for local public offices in this territory will be encouraged.

- 2 -

6. Italians held as prisoners of war in Italy, other than those who fought on the side of the Germans after the Italian armistice will be released upon the Italian Government entering into arrangements which give satisfactory assurances to the Theatre Commander that the survivors of men so released will be available in the war effort.
7. The Allies desire to encourage cultural relationships with the Italian people. Arrangements will be made to the fullest extent permitted within military exigencies for movement of scholars, artists and professional men between Italy and the United Nations and for the flow of books and other publications of a scientific, political, philosophical and artistic nature between Italy and the United Nations.
8. In the economic field the instructions to the Supreme Allied Commander are based on understanding that Italian authorities will develop the greatest measure of production and most effective and equitable distribution and control of consumption of local resources which existing conditions allow.
9. Further, the provisions for imported supplies will necessarily be dependent upon shipping which can be made available for this purpose having regard to imperative military requirements of the present time.
10. Subject to those considerations provision is being made for furnishing certain additional items of goods for basic civilian needs as part of the military supply programme. The A.C. will in addition advise the Italian Government on preparation of programmes of supplies designed to encourage the rehabilitation of Italian industry and agriculture the results of which will be reported to the A.C.

and other publications of a scientific, political, philosophical and artistic nature between Italy and the United Nations.

8. In the economic field the instructions to the Supreme Allied Commander are based on understanding that Italian authorities will develop the greatest measure of production and most effective and equitable distribution and control of consumption of local resources which existing conditions allow.

9. Further, the provisions for imported supplies will necessarily be dependent upon shipping, which can be made available for this purpose having regard to imperative military requirements of the present time.

10. Subject to these considerations provision is being made for furnishing certain additional items of goods for basic civilian needs as part of the military supply program. The A.C. will in addition advise the Italian Government on preparation of programmes of supplies designed to encourage the rehabilitation of Italian industry and agriculture the resulting imports involved will be additional to military programs and will be financed by foreign exchange made available to the Italian Government by U.S. and U.K. Governments under arrangements already made public.

11. Finally, the U.S. and U.K. Governments are discussing proposals for giving the Italian Government a greater measure of responsibility in financial matters.

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4001
INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

JAN 27 1945

76

Originator's Reference: F 15693
Date Time of Origin: JAN 26/1953

Message Centre No: G/ 9557
Date Time Recd: JAN 26/2138
Precedence: PRIORITY

FROM: AFHQ SIGNED SACRED CITE FIVE
TO: ALCOM

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Information received from SPOFFORD, who plans to depart from U.S. approximately 30 January, that new Italian directive has cleared OCAC and issue of directive by CGS may be expected shortly. Also stated public announcement on directive in progress of clearance. Will keep you informed of further developments

ACTION

	<u>AC DIST</u>
Action	Chief of Staff (2)
Info	A/President Chief Commissioner File (2) Float

HEADQUARTERS

27 JAN 1945

1

C

~~CONFIDENTIAL~~

PA 595

27/1 27/1

4001
HEADQUARTERS ALLIED COMMISSION

Office of the President

APO 394

72
JAN 26 1945

PRCS/45204/1/SI.

26th January, 1945.

The Chief Commissioner.
The Chief of Staff.

The C.C.A.C. on the 22nd January agreed on the draft directive to Field Marshal Alexander for Mr Macmillan. This will now be urged through the Combined Chiefs of Staff. The financial clause reads as follows:-

"The two Embassies are discussing proposals for giving the Italian Government a greater measure of responsibility in financial matters; a further directive on these matters will follow."

On the financial question the British members of the C.C.A.C. said that they hoped very shortly to receive instructions which would permit them to go some distance to meet the American point of view. Meanwhile, it was agreed in order to keep the matter on a strictly combined basis to send a combined telegram to SACRED for Mr Macmillan asking for his views. This is being prepared.

The American representatives have been drafting a proposed public statement. Mr Macmillan has asked that the text of the draft be made available to him at the Allied Commission before it is finally agreed.

1 ERW

Personal Assistant

71

Inter Office Memo.

16 January 1945.

Ref: 4401/003

Subject: Mr. Macmillan's Memorandum

TO : Chief of Staff.

1. You instructed me that the Russians could be shown a copy of Mr. Macmillan's Memorandum, but that they should not be allowed to keep one. I told this to Capt. Ramsey who said that if you show them the Memorandum they will certainly copy it, and I do not think that we can prevent them doing so.

2. Under the circumstances, would you care to ask the Acting President again whether he would like to change his mind or whether we should go ahead and show the Memorandum.

3. I have asked Captain Ramsey to discuss this with you.

W. L. Hoff

Lt. Col.,
Chief Staff Officer.

*COS agrees that the above
memorandum should be given
to the Soviet Representative for
perusal, & when convenient possible*

Ramsey

Capt

17/1/45

593

ALLIED [REDACTED] COMMISSION
INTER-OFFICE MEMORANDUM

SUBJECT: Ltr from Mr. Hunt, FRA, to Mr. Cleveland
Cleveland
TO : CHIEF OF STAFF: ✓

FILE NO.

LDD/es

11 January 1945

JAN 13 1945

Attached is copy of a letter that Mr. Cleveland
received from Mr. Hunt. Thought you and the Chief
Commissioner would like to see it.

LDD
L. D. DENSMORE
Colonel, F A
ABCOB, E/S

Incl - m/s

COPY (67)

Bureau of Areas
Washington, D.C.

In reply refer to:
BA-845-BWH

VIA DIPLOMATIC AIR POUCH

W-Italy 330

DEC 28, 1944

Mr. Harlan Cleveland, Executive Director
Economic Section, Allied Commission
c/o U.S. Representative on Advisory Council for Italy
Rome, Italy

Subject: Our Letter No. 8

Dear Harlan:

It is the day after Christmas and I want to tell you how things seem to be going.

Tony Antolini arrived in New York on December 21 and came here on the 22nd. He will be back again later in the week. We have had some fine talks and he has reached here at a time when his influence can be felt. I thought he looked tired and thin, but full of energy.

We have been having some sessions with the Army, State and the British on "Draft Proposals on Italy," submitted by Mr. Macmillan in absentia. As things are now going in Greece, it looks as if he will not get here in time to take part in the discussions. The American position on the diplomatic proposals has already been defined and submitted for action to London. The discussion of the economic proposals will take place in another day or so. I shall send you the details later.

Everything is going well at your house. I have not yet met your wife, but received a delightful card from her at Christmas. Your Christmas package was delivered to me by Nellie Clapp on the 22nd.

Sincerely,

E. E. Hunt, Chief
Italian Division
Liberated Areas Branch

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HEADQUARTERS ALLIED COMMISSION
AFG 394

Ref: 1001/008.

5 January 1945.

Attached is a copy of a paper, "Allied Policy towards Italy", which I wrote and circulated to various Government Departments in London as a basis for my discussions with them during my visit to England a few weeks ago.

The paper was designed only as a preliminary essay and for consumption in London. It must be read in that light. Nevertheless I think that some of my American and British colleagues at Allied Forces Headquarters and the Allied Commission will be interested to see it.

COPIES SENT BY:

Place Stamp

H. HAYMILL, JR.

5 January 1945.

Ref: 1001/100.

Attached is a copy of a paper, "Allied Policy towards Italy", which I wrote and circulated to various Government Departments in London, as a basis for my discussions with them during my visit to England a few weeks ago.

The paper was designed only as a preliminary essay and for comment in London. It must be read in that light. Nevertheless I think that some of my American and British colleagues at Allied Forces Headquarters and the Allied Commission will be interested to see it.

COPIES SEEN BY:

MAJOR STEAKS
MAJOR RIVELY
CAPT MCKOEN

H. H. HALL,
The Resident Minister,
Central Mediterranean
Allied Commission.

590

~~SECRET~~

11/1/45

ALLIED POLICY TOWARDS ITALY.Note by the Resident Minister, Central Mediterranean.PART ONE.Introductory.

Italy, like Gaul, is at present divided into three parts:

- (1) German-occupied Italy, population approximately 24 million, covering about three-eighths of the country.
- (2) Liberated Italy, under Allied Military Government. This covers about one-eighth of the country; population about 5 million.
- (3) Liberated Italy with Sicily and Sardinia under the Italian Government. This covers about one-half of the country; population about 19 million.

The functions of the Allied Commission extend over these three territories. It must plan for the German-occupied Italy. It must plan currently for, and administer, Allied Military Government Italy, both in respect of present needs and in anticipation of restoring the territory to the Italians. It must plan and advise in respect of Italian Government Italy.

Any attempt to place these functions under separate authorities would be unworkable. Indeed, in the latter part of 1943 experience proved this to be the case, and the rapid decision was then taken not with general approval.

It is not always recognized that for the greater part of the work of the Commission, with the exception of the political function (for which I am making separate proposals) concerns the first two of these territories. Moreover, the advisory duties will tend to decrease for Italian Government territory, although participation in planning for imports, both consumption and capital goods, must necessarily continue. Some degree of inspection must also be maintained in order to secure the maximum use of their own facilities by the Italian Government. This is the normal practice of curfewing authorities (such as the Berlin East Supply Centre, North African Joint Economic Board and other similar bodies) which have operated under the general guidance of the Combined Authorities in Washington.

5 million.

- (3) Liberated Italy with Sicily and Sardinia under the Italian Government. This covers about one-half of the country; population about 15 million.

The functions of the Allied Commission extend over these three territories. It must plan reforms for Sardinia, Sicily. It must plan currently for, and administer, Allied Military Government Italy, with in respect of present needs and in anticipation of restoring the territory to the Italians. It must plan and advise in respect of Italian Government Italy.

Any attempt to place these functions under separate authorities would be impracticable. Indeed, in the latter part of 1943 experience proved this to be the case, and the remedial measures then taken met with general approval.

It is not denied recognized that for the greater part of the work of the Commission, with the exception of the military section (for which I am making separate proposals) concerns the first two of these territories. Moreover, the Advisory Bureau will tend to decrease for Italian Government territory; although participation in planning of imports, both consumption and capital goods, must necessarily continue. Some degree of integration must also be maintained in order to secure the maximum use of their own facilities by the Italian Government. This is the normal practice of governing authorities (such as the Middle East Supply Centre, North African Joint Economic Board and other similar bodies) which have by direct under the general guidance of the Combined Authorities in Washington.

This situation presents an exceedingly difficult administrative problem. Any reorganization of the functions and composition of the Allied Commission in order to carry out the new policy towards Italy must have regard to these overriding facts of administrative crisis.

II

Apart from the psychological difficulty inherent in maintaining the Allied Military Government in a part of the liberated area while the Italian Government to administer the rest, there has been a duality in the policy to Italy ever since the signing of the Armistice was followed by the doctrine of co-belligerency. Sometimes we have stood upon one leg - the strict enforcement of armistice terms upon a defeated enemy; sometimes upon the other - friendship and assistance to a co-belligerent whose relations with us are becoming more and more those of an ally.

785017

-2-

On reflection, I think from the time that the recent formal change of name from Allied Control Commission to Allied Commission has a real meaning. It should be our purpose, why to exercise control over our military needs require it. However, so while the function of the Commission should be that of a liaison of experts offered advice. If our advice is not accepted, we must share the responsibility and share the blame. Only in this way can we bring a sense of reality and responsibility to the Italian authorities.

We should have before the Italian Government that while we propose to hold absolutely to all our rights under the Armistice, and do not intend to discuss any settlement of purely post-war problems (for instance, territorial and colonial arrangements), yet, subject to the overriding military needs for the conduct of the campaign, we shall hold these rights largely in reserve. We shall make the transfer of authority to the Italian Government as great a reality as possible. In consultation with them we shall provide, if they require it, expert advice on such questions as Justice, Education, Finance, and the like. If they prefer to do without those experts in their sovereignty, we shall make no objection. In the more important spheres of Finance, Labour, Regulation and wage negotiation, we should strongly urge them to listen to our views, although the principle would be that the final decision would rest with them. Indeed in every matter which is within the competence of the Italian Government to do for themselves, that is, regulation of their own internal political and economic life, we shall play the role of navigators, except to the extent that the military authorities require in control specific functions or to take up a particular proposition.

There are, however, two stark warnings which we should not hesitate to give. First, insofar as the needs of Allied interests are concerned, the efficiency of execution of these provisions, we must make it clear that we shall have regard to the degree of Italian self-help - within the physical possibilities of their present situation - in fixing the standard of our help to them. Secondly, we must insist on the maintenance of law and order. If security is threatened, in a way to invade or imperil our military operations, we should not hesitate to remove our military personnel either in whole or in part. Subject to these provisions, our leading over of control to the Italian Government in their territory should be far-reaching and sincere.

21st May 1945

Major General

(The Allied Control Commission has been renamed the Allied Commission).

There are certain specific questions which I referred in pursuance of this policy. I have discussed the informally with the Chief Commissioner and some of the more important officials of the Commission and we have reached a broad measure of agreement.

regulation and map designation, we should strongly urge them to listen to our views, although the principle would be that the final decision would rest with them. Indeed in every matter which is within the competence of the Italians to do for themselves, that is, regulation of their own internal political and economic life, we shall play the role of advisers, except to the extent that the military authorities require in order to ensure specific functions or to take over particular properties.

There are, however, two other matters which we should not hesitate to give. First, insofar as the matter of Allied interests depends upon the efficiency or otherwise of human production, we must make it clear that we shall have regard to the degree of Italian self-help - within the physical possibilities of their present situation - in fixing the standard of our help to them. Secondly, we must insist on the maintenance of law and order. If security is threatened, in a way to depend on important our military operations, we should not hesitate to request military movement either in whole or in part. Subject to these provisions, our leading way of control to the Italian Government in their territory should be for reaching and winning.

PART IV.

Relating to Italian War

(The Allied Control Commission has been formed the Allied Commission).

There are certain specific changes which I recommend in our discussion of this policy. I have discussed them informally with the Chief Secretary and some of the more important officials of the Commission and we have reached a broad measure of agreement.

I

I propose that the political section of the Commission be abolished.

This section, which is envisaged by an American and British Vice-President of equal rank, belongs to the early post-Armistice period. Then Italian sovereignty was little more than a fiction, resting upon an armed and exiled King, with his little retinue of insignificant courtiers and no important or gallant marshal - huddled in a medieval castle in Benavoli, itself the most distant point in Italy which fugitives can reach.

Since that time policy has developed. The Italians have received in place an American and a British Ambassador. They are sending their Ambassadors in return to Washington and London. Although there is some firm determination (in the British, not the American case) between the pre-war and the post-war dates relations, the ordinary public, not appreciative of the situation

of the protocol, do not easily differentiate between a diplomatic representative with the protocol rank of ambassador and a "right-hand" regular royal" ambassador, all styles.

Moreover, the Italians are not themselves in direct relations with United Kingdom and Neutral Powers. Interchange of ambassadors and ministers is going on at an ever increasing pace, the Italian republic of South America being particularly prominent in this diplomatic pilgrimage to Rome.

In theory all formal communications between the representatives of other powers and the Italian Government should pass through the Commission, there being no objection to informal and unofficial contacts. This has not applied to Russia, and the United States and British representatives have not ratified the Commission of the assumption of direct relations between their Governments and the Italian Government. It would seem, therefore, that to maintain in theory a rule which was never in practice enforced or even capable of being enforced, would be useless and even ludicrous. I propose that we should confirm to the Italian Government that they may have direct relations with foreign representatives accredited to the Italian, and at the same time tell them that they will be expected to keep us generally informed on any negotiations in which they may be engaged.

Similarly, in theory all Italian communications to their representatives abroad are sent through the Allied Commission. They are either sent in a cypher of which we hold the key or in Allied cyphers. Copies in clear are sent to the Political Section. In the case however of Russian, American and sent through Soviet cyphers, no copy being sent to the Commission.

The Soviet representative on the Advisory Council has proposed that the Italian representative in Moscow be given his own cypher. It seems difficult to refuse this request. The question of the provision of independent cyphers for the Italian representatives in London and Washington has been raised by the Italians. It has been referred by the Commission to Allied headquarters and by them to the Combined Chiefs of Staff.

I propose that this request should be granted.

I propose that this privilege should be extended to their representatives in other countries.

The original insistence upon the communication of copies of telegrams to the Political Section was based partly on considerations of military security. But members of the Advisory Council (Australia, Canada, France, and Yugoslavia) have cypher facilities; so has the Brazilian Charge d'Affaires. It is true that other United Nations and neutral representatives accredited to the Combined Chiefs of Staff have no facilities; but the representatives of the United Nations at the Political Section have facilities.

[illegible]

I agree that this material should be printed
active in other countries.

-4-

II

I propose that we surrender the control over Italian legislation in Italian territory.

In point of fact, nothing in the Armistice terms given the Communist any right to be consulted on all decrees of the Italian Government. In practice, a large proportion of decrees proposed are sent for study and advice by the appropriate Sub-Commission. Sometimes, as in the case of a recent decree raising wage rates, the Council of Ministers approved the decree without prior and detailed approval from the Commission. (I am bound to observe that in this instance my sympathies were with the Italian Government, who in sometimes happens with Governments, could not withstand powerful political pressure fortified only by the theoretical arguments of civil servants and statisticians.) ³⁴ Formal claim to approve decrees is difficult to enforce - as has been proved - since the only remedy would involve the removal of the minister or the fall of the Ministry. It is clear, in the new conditions, to rely on moral persuasion and even, when required, pressure, and to develop a normal habit of consultation on matters, particularly economic, when our joint interests are involved or action taken in Italian Italy must, in fact, be followed in Allied Italy. The formal renunciation of this right to approve decrees, would certainly be welcomed by the Italians.

III

Similarly, I propose that the control of Italian appointments in Italian Italy be modified or surrendered.

Again, it is doubtful whether we have a right to this control under the Armistice terms. But shortly after the first transfer of territory (with February, 1944) there was an exchange of letters between General Canine and Marshal Badoglio. In effect, by those letters it was agreed that all appointments to the Government and all senior appointments by the Government would be subject to the prior approval of the Commission. I attach in Appendix A.1. a list of officers finally agreed to be subject to this control, as far as the Civil Affairs Section is concerned. It will be seen that it goes down to the Mayor and Town Clerk of towns of 15,000 inhabitants. Appendix A.11. gives a similar list affecting the Economic Section.

The Italian Government has recently requested that the position be revised. They have submitted a very short list of officers to whom this right should apply. It includes Ministers and Under-Secretaries of the Government, the heads of the fighting services and so forth (Appendix A.11f).

So far as the approval of officials in Appendixes A.1. and A.11. is concerned, I take it that the chief object was to ensure "bureaucratization" rather than to guarantee efficiency. Indeed, after a country has been for a generation under a fascist regime, these two purposes may well be contradictory.

Similarly, I propose that the control of Italian appointments in Italian Italy be handled as summarized.

Again, it is doubtful whether we have a right to this control under the Armistice terms. But shortly after the first transfer of territory (with Paraguay, 1944) there was an exchange of letters between General MacArthur and Admiral Leahy. In effect, by these letters it was agreed that all appointments to the Government and all senior appointments by the Government would be subject to the prior approval of the Commission. I attach in Appendix I, a list of offices finally agreed to be subject to this control, so far as the Civil Affairs Section is concerned. It will be seen that it goes down to the Mayor and Town Clerk of towns of 15,000 inhabitants. Appendix B.II, gives a similar list affecting the Economic Section.

The Italian Government has recently requested that the position be revised. They have submitted a very short list of offices to which this right should apply. It includes Ministers and Under Secretaries of the Government, the heads of the fighting services and so forth (Appendix B.III).

As far as the approval of officials in Appendixes B.II and B.III, is concerned, I take it that the chief object was to secure "demonstration" rather than to guarantee efficiency. Indeed, after a country has been for a generation under a Fascist regime, these two purposes may well be contradictory rather than complementary. Still, the right of approval has certainly helped to achieve the first purpose, I think it is no longer necessary. Public opinion does not need stimulating on that issue. On the contrary, opinion in Italy (as in other countries) may be pushed dangerously far.

In practice, Italian nominations are approved almost as a matter of course.

I propose that our control over all the appointments in Appendixes B.I and B.II be summarized further.

About the list submitted by the Italians themselves I am not so sure, but my inclination would be to surrender this formal right also, and rely on Allied influence and authority only. I feel this all the more so the longer right only rests on this exchange of letters between the Marshal and the Marshal. Although the undertaking given in these letters (Appendix B.IV) is no doubt one of those initiated by the Allied Government from its predecessor, yet (unlike the

-5-

short and long term. Some which were made and some by every member of the my Government) these letters - either by telephone or correspondence - were overlooked.

Therefore now that we miss the right of survival altogether - with one exception.

A short list should be served of Service units - to include units of staff and commanders of formations re-equipped for active service in the field. In their case it would perhaps be better to ask that the approval should be obtained of the Supreme Allied Commander or the Combined Chiefs of Staff.

If this recommendation is approved, certain consequences should have to be made in the total demands of transfer of successive provisions from military Government to Italian Government, since it has been the practice to include in these a clause preventing the removal of any Italian appointed by military Government authority to posts within the territories concerned.

This is a new formality.

IV

I propose that legal officers of the Allied Commission should be withdrawn from Italian Government in Italy.

One of the features of the control which is most important to aid them - to some extent requested by the Italians in the presence of local allied officers in all the regions is to be Italian control. Since, in any case, these in the case, officers are over functioning during the period of military government, the change from "direct" to "indirect rule" is correspondingly obscured.

The Commission itself, under the two main sections of General Administration and Economic Affairs, is organized into some twenty sub-commissions, corresponding to the various Italian Ministries. In the regional regional officers, with specialists from one or other of these sub-commissions to assist them. Although a very drastic reduction has taken place recently in the total of employed, the only alternative the argument for their total abolition. They are not insufficient to govern, but sufficient to interfere. And their presence tends to reach the sense of responsibility of the Italians themselves.

For instance, during the recent visit of Salerno, it was the Italian prefect who was responsible for pulling out the troops, which he did somewhat precipitately. He had a regional Commissioner who was concerned either to act or restrain action. And the very presence of a regional Commissioner in Italian administered territory allowed the Italians to pursue the conventional plan of throwing upon us - in the public opinion of the world - a responsibility which belongs to themselves.

government authority to posts within the territories mentioned.

This is a hard finality.

IV

Experiences that have influenced the Allied Commission should be, at the same time, Italian Government policy.

One of the features of the control which is most apparent to local authorities is the extent assumed by the Italians in the presence of local Allied officers in all the regions bound back to Italian control. In many cases, these are the same officers who were functioning during the period of military government, the change from "direct" to "indirect rule" is correspondingly obscured.

The Commission itself, under the two main sections of General Administration and Economic Affairs, is organized into some twenty sub-commissions, corresponding to the various Italian Ministries. In the various regional offices, with specialists from one or other of these sub-commissions to assist them. Although a very definite reaction has taken place recently in the total or employed, this only strengthens the argument for their total elimination. They are too traditional to govern, but sufficient to interfere, and their retention tends to obscure the sense of responsibility of the Italian themselves.

For instance, during the recent riots in Palermo, it was the Italian prefect who was responsible for calling out the troops, which he did without prejudice. He had a personal Commission who was prepared either to act or restrain action. And the very presence of a regional Commission in Italian administered territory allowed the Italians to pursue the continental idea of throwing upon us - in the public opinion of the world - a responsibility which belongs to themselves.

It is true that there must be local contacts between the Italian military and local authorities in Italian governed Italy, especially in Sicily where there are still Allied installations. But this function could be performed by highest officers attached to the various military commands, not by Commissioners. These officers are incapable of local adjustment or when technical advice was required (for instance, on transportation and public utilities) special "trouble-shooters" could be drawn from the Commission of course, at the request of the Italians, specialist officers were available to them for special duties.

The general view of the senior members of the Allied Commission favors complete withdrawal. The Political Advisers (in the shape of representatives of the Embassy) feel that it is of considerable psychological value. Allied Force Headquarters would have to agree in detail the system of liaison officers from the point of view of military and civil command - but I do not anticipate any difficulty in devising a workable plan.

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Undoubtedly, the more the contacts and, when necessary, pressure between the allies and the Italian Government can be confined to the centre and at a high level, the better relations will be. Italian military against the appearance rather than the reality of control, and the withdrawal of officers from the field would enormously increase the prestige of the Government.

The officers and available - probably some 150 if we begin with Southern Italy and the islands - could be used in the general pool. Some could strengthen it, and replace some if those we could wish to be rid. There would be great value for the Northern regions; those surplus or least competent could be spared elsewhere.

V

Certain control, as well as local, functions of the Allied Command in Italian Government Italy should be abandoned altogether.

There are a number of functions of sub-commissions, assigned to party men out which can well be surrendered. This time too, I repeat, when that any of these sub-commissions can be identified. They must remain for the work in Allied Italy and to prepare the work in Regulating Italy. Such are, in the administrative field, armaments and fire, arms, Education, Local Government. In the economic field, armaments and fire, arms, Education, Local Government. In the Italian (subject only to inspection) the distribution of food and other supplies in Italian territory.

Now again, this proposal is approved by the leading officials of the Commission.

VI

Changes to the Commission itself have been suggested as likely to emphasize the sincerity of the new policy embodied in recent statements of the President and the Prime Minister. Demilitarization has been put forward on this as well as other grounds, and will be discussed in a later section of this paper. In view of the arguments advanced in the introduction, and the statement of the military government of the Commission's work, there is a very definite limit to what can be achieved by this method. But, in general, both by the issue of a new and clear directive and by a re-statement publicly and with great precision of Allied policy towards Italy, the actual conception of the Commission's new purpose and functions in Italian territory can be made effective. We are to be advisers, not controllers; older brothers to our weak and erring subjects.

All Italians are children. They are nearly - very nearly, sometimes vicious children. But all are children. They must be treated kindly but firmly. In any case, we can take from their ancient literature as our guide a sentiment which we have often taught the peculiar tradition of the Anglo-Saxon race - "Caritas subleget omnia."

There are a number of functions of sub-commissions assigned to carry this out which will be surrendered. This does not, I repeat, mean that any of these sub-commissions can be liquidated. They must remain for the core in Allied Italy and to prepare the work in Cassin's Italy. Such are, after identification, flight, documents and film, often, education, local government. In the command field, arrangements are already being made to hand over to the Italians (subject only to inspection) the distribution of food and other supplies in Italian territory.

Now again, this proposal is approved by the leading officers of the Commission.

VI

Changes in the Commission itself have been suggested as likely to jeopardize the continuity of the new policy. Based on recent statements of the President and the Prime Minister. Demilitarization has been put forward as this as well as other genuine, and will be discussed in a later section of this paper. In view of the arguments advanced in the introduction, and in the section of the military government report of the Commission's work. There is a very definite limit to what can be achieved by this method. But, in general, both by the means of a new and clear direction and by a re-statement publicly and with great precision of Allied policy towards Italy, the whole conception of the Commission's new purpose and functions in Italian territory can be made attractive. It is to be understood, not controllers, older attributes to our work and current affairs.

All Italians are children. They are toughy - very toughy, sometimes vicious children. But all are children. They must be treated kindly but firmly. In any case, we are taking from their ancient literature of our world a sentiment which we have often thought the peculiar tradition of the Anglo-American race - "parens sollicitus et duplarem superbo".

In the Italians both parts of this sentence might apply. They have intemperately pulled out they have been wholly defeated. (Notice should now be tempered with mercy.)

FINAL THOUGHTS

Allied Commission: Composition and structure.

I

The introductory paragraphs of this paper explained the far-reaching character of the Italian problem. This reflects itself in the somewhat complicated composition of the Commission itself. It has to serve needs arising out of past, present and future military operations. This should influence the approach to the question of demilitarization, which is being recommended in certain quarters in London and is older circles in England.

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I cannot believe that those who propose rapid demilitarization have understood that three-quarters of the effort of the Commission is necessarily concentrated on those parts of Italy occupied or about to be occupied by Allied armies - that is, what I have called, Allied Italy and the emerging Italy.

In Allied military Government territory it is really quite impracticable for the organization to function except with officers in uniform. This will apply until the final stages of the occupation. When the army has been driven from all Italian territory and when the first shock has been taken by the Allied organization in the rear of our advancing armies, all Italy (except perhaps certain disputed provinces, such as Venetian Dalmia), all in due course be returned to Italian control. The Commission can then be almost wholly demilitarized because its sole function will then be to give expert advice to the Italians and to protect our long-term interests under the Armistice.

If the idea for withdrawing local representatives of the Commission as a whole or by stages from Italian Government Italy is adopted, it will automatically reduce the number of military officers employed, or make them available elsewhere. It will also, however, eliminate altogether the one feature that is in the regions of Italian-controlled territory, where total "civilianization" might have been practicable.

If it is agreed that the three Italies must be treated as a whole - that is, not to be challenged by anyone who has seriously studied the problem on the spot - then the great majority of the officers of the Commission must be in uniform. The simplest examples of the individualism character of the Italian problem emphasize the impracticability of any but the most gradual demilitarization. All from public must be moved into the comune of Naples or the Province of Grosseto; so that almost from economic Province (which is a surplus area) be moved into Italian Government Italy further south. How can any plan be made of rehabilitation of power of productive resources, which does not take into account existing conditions in the two liberated Italies and make some calculation of probable needs in many occupied Italy?

"Demilitarization" is only possible in the Headquarters of the Commission, not in the field. If Headquarters this is already being done to a considerable extent. There are 49 American although only 8 British civilians of officer status in the two key sections, Economic and Civil Affairs. Many are being asked for. Brigadier Lach - Chief of Staff - has been occupied recently in London with obtaining additional British civilians for important posts. All there is in objection, in principle, to a further extension. But there are limiting factors to this process. Certain positions, for technical reasons, must be held by military officers. For instance, Allied military courts which are set up in different parts of the country, including Italian Government territory, must be manned by military officers since their only sanction is military. It has been found necessary to use these courts as the only effective way of preventing the army and civilians of Allied countries.

as whole or by stages from Italian Government Italy is adopted, it will automatically reduce the number of military officers employed, or make them available elsewhere. It will also, however, eliminate altogether the one sphere, that is, in the realm of Italian-controlled territory, where total "civilianization" might have been practicable.

If it is agreed that the three Italian must be treated as a whole - this line not to be abandoned by anyone who has seriously studied it the problem on the spot - then the great majority of the officers of the Commission must be in uniform. The simplest example of the indescribable destructiveness of the Italian problem, emphasized the impossibility of any but the most radical decentralization. All these things must be moved into the domain of Naples or the province of Brindisi; do not want five hundred provinces (which is a surplus area) be saved into Italy, even at Italy further south. How can any plan be made of rehabilitation of power or production resources, which does not take into account existing conditions in the two liberated Italian and make some calculation of probable results if they included Italy?

"Dualization" is only possible in the headquarters of the Commission, not in the field. In headquarters this is already being done to a considerable extent. There are 49 sections although only 2 contain civilians of officer status in the two key sections, economic and civil affairs. They are being asked for. Brigadier Bush - Chief of Staff - has been occupied recently in London with obtaining additional British civilians for important posts. And there is no objection, in principle, to a further extension. But there is a limiting factor to this process. Certain positions, for technical reasons, must be held by military officers. For instance, like a Military Court, which are set up in different parts of the country, including Italian Government territory, that be named by military officers since their only sanction is military. It has been found necessary to use these courts as the only effective way of preventing thieving and pilferage of Allied property.

It is very important to allow some degree of flexibility. It is desirable to send officers from headquarters in Rome into the field and vice versa. Some officials in the field in A.I.S. territory must be in uniform, this consideration clearly limits the extent to which civilians should be introduced to headquarters. In effect, they should be confined to certain posts - mainly senior posts at headquarters - particularly on the economic side. It may be argued that certain officials - for instance in the departments and Pils Arts Sub-Commission in the field might be civilians. That the opposite is the case. The only hope of doing that early work of salvage on which so much depends is the prestige enabling a soldier to get some materials and labour out of the military at a time when they are naturally preoccupied with the battle. Many a Marine Martini or Glotto has been saved by timely attention - a little roofing or shoring up a freestanding wall. The Professor in battleships magazine is a Colonel may succeed; in one and gun (or even flamethrower) he would scarcely reach the scene of action.

Apart from the question of "demilitarization" which has no bearing on the War Department and the War Office (somewhat strongly, since in our citizen armies so many of the soldiers are but disguised civilians) the chief trouble of the Commission has been disunity. For a long period, there has been no Chief Commissioner, and for many months, the Vice President of the Economic Section absented himself. His successor functioned for a few weeks and then returned home. (It may perhaps be worth observing that revolutions about themselves without leaves were fairly then solidary). If we are to have any chance of orderly progress, this must come. There must be introduced a more serious attitude in London and a different attitude towards appointments to high places. The principle by which the right of appointment to particular posts has been regarded as vested (like an advowson) in one or other Government, is vicious. After due consideration I will suggest some necessary changes in the higher ranks. After that, I trust the promotion and discipline within the body will be taken care of by the Chief Commissioner.

The morale of the Commission has been seriously shaken by these vacillations and uncertainties. And there has been a feeling that their work has been misinterpreted and unfairly criticized.

I think that all is now set for a new phase, and I shall make every endeavour (with the help of the Chief Commissioner) to restore and revivify the organization as a team, loyal both to itself and its duties.

PART FOUR

The Economic Problem.

I. INTRODUCTION

It is unnecessary to reiterate the serious situation in which present day Italy finds herself from the economic point of view. Even before the war, in spite of all the effort towards self-sufficiency made by the Fascist regime, the financial and economic position was radically unsound. Substantive figures were faked or at least distorted to conceal the real facts.

The problem of whether the Italian peninsula can be made a "poor country" is one thing. Without coal or iron, Italy is not a naturally strong unit. The development of hydro-electric power has to some extent in the last twenty years replaced the necessity for coal imports. But the hydro-electric power of Southern Italy has been greatly reduced; that of Central Italy has almost wholly gone; that of Northern Italy is threatened with total destruction.

Before the war the balance of payments, since imports of all kinds, including wheat and oil, were necessary, could only be kept stable by four means. First, a certain amount of exports, chiefly of high-class manufactured goods and some agricultural products; second, tourist traffic; third, a certain amount of shipping earnings. The first and last have disappeared. The second

The morale of the Communist-run press was very low. And there has been a feeling that their anti-Westernism and wariness. And there has been a feeling that their anti-Westernism and wariness.

From Laboratory to Fieldwork:

THE UNIVERSITY

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In addition to all these dimensions, the transport and communication system of liberated Italy has been largely destroyed. In consequence Italy is in being daily debilitated by the effects of the Mediterranean Air Force, Sallanya, bridge, Sallanya, Sallanya, motor transport, bus, suffered from killed and enemy destruction alike. To the extent that these facilities have been replaced they are primarily reserved for military requirements.

All this, of course, in the well deserved reminder for the role of these children which in Italian people must have. All now the less there are faults in the situation which cannot be overlooked by these liberties.

In these circumstances, nothing could have kept liberated Italy in existence except a high level of imports of civilian needs hitherto furnished, requisitioned and shipped by the Allied Military Authorities. According to the President's statement of 4th October, 1944, there had to that date amounted to 2,800,000 long tons of civilian supplies of which 1,107,000 were food products.

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THE ECONOMIC PROBLEM

These civilian imports into both sections of liberated Italy have up to now been regarded as a legitimate war expenditure and covered on the military budgets. These needs have been requested by the so-called civilians and covered. That in so doing, the Supreme Allied Commander has been required to certify that his requisition in this field is necessary in order to prevent the outburst of either one or the other in a manner likely to incite military operations.

It is believed that the War Department has recently reached the conclusion that even on this scale there was no justification for carrying such expenditure in respect of "Southern Italy" on their budgets. This in parts illogical. As already stated, Italy must be treated as a whole. Products must be sent from supplies to deficiency areas without regard to the exact geographical area divided Allied controlled Italy from Italian controlled Italy. Moreover, the lines of communication will to some extent traverse the latter territory. It is for this reason that the demand of Italy is still kept under military government although progressively in a transferred area. In any case, another these supplies are carried upon a military budget or not, they must be introduced into the country at the expense of the American and British taxpayer. Since they must be requisitioned as a military priority, called for by military authorities and shipped by the military, it would seem more satisfactory that they should continue to be dealt with in the military account. It is absolutely essential from a practical point of view if we are to obtain delivery.

It is essential, therefore, that imports of civilian goods and certain essential goods should continue to be supported by the War Department and that the requisition for civilian needs is lifted. However, since some opportunity of planning is necessary for efficiency, they should be so provided as long as

THE ITALIAN POSITION

These civilian targets into both sections of liberated Italy may be to the north regarded as a legitimate war expenditure as directed to the military budget. These areas have been regulated by the so-called "Military and War" formula; that is to say, the Government allied themselves by their resources to certify that the population in this field are necessary in order to prevent the outbreak of other war on the other in a manner likely to influence military operations.

It is believed that the war budget of the recently passed 1944-45 estimates that even on this scale there was no justification for many of such expenditures in respect of "Southern Italy" in their budget. This is quite illogical. As already stated, Italy must be treated as a whole. Resources must be moved from surplus to deficiency areas without regard to the exact percentage. The division of the Italian territory into two sections, one of which is the former, the line of demarcation still to some extent follows the 1943-44 boundary. It is for this reason that the measure of having to still keep under military government although theoretically in a transferred area. In any case, whether these supplies are moved to the military budget or not, they must be introduced into the country at the expense of the American and British taxpayers. Since they must be requisitioned as a military priority, called forward by military authorities and officers by the military, it would seem even satisfactory that they should continue to be dealt with in the military account. It is therefore excluded from a practical point of view if we are to obtain delivery.

It is desirable, therefore, that reports of requisition should not be certain certain goods should continue to be included in the Military account and the war office for civilian needs in Italy. Further, there was considerable of planning is necessary for military, they should be so provided in Italy as Italy is a country of a base for military operations and for a number of other countries. In addition, the scale of these should be regulated by a more liberal interpretation of the "Military and War" formula, and this for the reasons. First, because further years of shortages has greatly increased the of the people's demand, because it is equitable that having regard to the fact that Italy is a country of a base for military operations, it is not only in support of our army, a standard of life for the civilian population, many of them dependent on the fighting men, should be regulated at a somewhat higher level than that suitable to a conquered but non-representative nation. The degree of increase should be represented by a fixed percentage. Account must be taken of each requirement. Imports of food must be such as to allow a daily ration of 500 grams a theoretical the scale of the liberated areas and planning to allow such a ration than the city's Italy is free. At present General Huxley, by an act of wise administration, had increased the ration scale of the civilian population from 350 to 500 grams a day. It is true that his main purpose was to assist in the "rebuilding" or reconstruction and reduce the pressure on areas by bringing the black market. This experiment was remarkably successful in both its primary objects. But a second motive was a desire to raise standards to something nearer that doctors told us

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Appendix

It will be said first the Fascists that the task of those who have to plan for the needs of the Italian people is no easy one. It requires one of those ingenious puzzles that torture young or old men. First to make the people, where it is necessary to make four square balls in a small courtyard box to fall into their respective compartments. In any railway station at once, there often, but the whole four present a formidable task of patience and determination. In this case the four balls are availability of supply, economy, shipping and port, acceptability. It has seldom been possible to obtain clearance on all these at once. Yet without some near miracles or counterbalancing, reasonable planning for the future has not been possible. Of course it may be urged that there is no reason to worry ourselves unduly about the unhappy position in which the Italians find themselves. Their disasters are their own fault. But this policy, hard though it at first, could at least have been practicable had it not been for the recent developments. Forally and on behalf of the two Allied Governments. To turn now from the path of expediency there marked out is unthinkable. In addition, this is a lament need about to be greatly in the interests of the world in general. That we may be the post-war policy towards Germany, we have adopted Italy into a position different from that of a beaten enemy; we have invited her, to some extent, benefited by the doctrine of a-bella-geria; and, from the larger aspect, prosperity like peace is indivisible. The problem that faces Italy are serious enough. As we reach the North we shall find hard work, as in population in Berlin and Milan. It will take all our efforts to keep these alive. They will be the first large urban populations in our new situation industrial and not upon the seaboard. It takes them 5000 without railways or trunks will present a formidable problem to Allied military Government. At present, slaves although they may be of formal occupation, the factories are running and the people are largely employed. When they are "liberated" the power will probably be destroyed, the factories largely dismantled, the industrial tools wrecked or taken to Germany, and the raw materials not available. It will mean all the patience, courage and devotion that British and American administrators can give if we are to preserve Italy and her 45 millions of people from collapse like Spain, or Italy and revolution. It will mean the effort to break out of our gloom and against Italy, however justified, and to be here and the war and lost the peace.

of course it may be argued that there is no reason to worry ourselves unduly about the unhappy position in which the Italians find themselves. After all, they are their own fault. But this policy, harsh though it is at first, would at least have been practicable had it been based for the recent decisions generally made on behalf of the two Allied Governments. To turn now from the path of expediency there opened out is undesirable. In addition, this new incident need seem to be directly in the interests of the world in general. Whatever may be the post-war policy towards Germany, so have accepted Italy is a position different from that of a beaten enemy. We have liberated and, to some extent, benefited by the destruction of ex-enemy Germany; and, from the larger aspect, prosperity like peace is indivisible. The problems that face Italy are serious enough. When we reach the North we shall find them working along populations in famine and all this. It will test all our efforts to keep them alive. They will be the first large urban populations in our care situated inland and not upon the seaboard. To bring them food without railway or trucks will present a formidable problem to Allied Military Government. At present, eleven although they may be of German occupation, the factories are running and the people are largely employed. When they are "liberated" in power will probably be destroyed, the factories largely dismantled, the machines broke, trucks or taken to Germany, and the raw material is not available. It will need all the patience, courage and devotion that British and American administrators can give if we are to preserve Italy and her 45 millions of people from collapse into despair, anarchy and revolution. To fail to make the effort because of our previous success against Italy, however justified, may be to have won the war and lost the peace.

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APPENDIX A 1Political Section of the Allied Commission

Proposed Memorandum of Arrangements to be agreed between the United States Government and His Majesty's Government, arising out of the establishment of American and British Embassies in Rome, and Italian representatives in Washington and London.

I

The Political Section of the Allied Commission (formerly Allied Control Commission), which has hitherto consisted of two Joint Vice Presidents, one American and one British, will be abolished.

In its place, the United States and British Embassies have agreed to make available such facilities as the Commission may require.

The functions of the Advisory Council for Italy will of course remain as laid down in the Moscow Agreement.

II

In order to make this plan effective the following arrangements will be made:

(a) Frequent personal meetings between the Chief Commissioner, the United States Ambassador, and the British Ambassador will continue as heretofore.

(b) In addition, the United States and British Ambassadors will each nominate a senior member of their staff to give political advice to the Chief Commissioner and to the various members of the Commission on day to day business as it arises. Suitable communication will be made available for them at the Offices of the Commission. They will each have an assistant and a small joint secretariat will be established in order to ensure the necessary co-ordination. All matters affecting political problems will be passed to them and their recommendations sought where necessary by the various sections. They will have the title of Political Adviser and be regarded as in every sense members of the Commission.

H.M.

18th November, 1944.APPENDIX A 1A

The technical officers of the Embassy in Rome, that is, the Commercial Counsellor, the Labour Attache and the Press Attache, find themselves in a somewhat difficult position since many of the functions that they would normally perform are in fact carried out by the Allied Commission, and information which they would normally hope to obtain from the Italian Government is only readily obtainable from the Commission or the policy of the Arrangements.

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(b) In addition, the United States and British Ambassadors will each nominate a senior member of their staff to give political advice to the Chief Commissioners and to the various sections of the Commission on day to day business as it arises. Suitable communication will be made available for them at the Offices of the Commission. They will each have an assistant and a small joint secretariat will be established in order to ensure the necessary co-ordination. All papers affecting political problems will be passed to them and their concurrence sought where necessary by the various sections. They will have the title of Political Advisor and be regarded as in every sense members of the Commission.

18th November, 1944.

H.M.

APPENDIX A 11

The technical officers of the Embassies in Rome, that is, the Commercial Counsellors, the Labour Attache and the Press Attache, find themselves in a somewhat difficult position since many of the functions that they would normally perform are in fact carried out by the Allied Commission, and information which they would normally have to obtain from the Italian Government is only readily obtainable from the Commission or some of the Sections of Allied Forces Headquarters. On the analogy of the arrangements I have proposed for the Political side described in Appendix A 1 in my paper, I would propose the following arrangements which would do my best to secure their general support if acceptable to His Majesty's Government.

(1) Economic Section

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I propose that the Economic Section (for which I have to find a suitable American and British head) should have attached to it as advisers the American and British Commercial Counsellors. They would not act in an executive capacity, but would be in a position not dissimilar from that of Directors on the Board of a Company. This would give Mr. Macmurtrei a regularised position in the Commission, give him a room there, and allow him to see papers, etc. From my conversations with him, this is what he would like.

(2) Labour Attache.

I would propose that Mr. Payne Brown (as has already been suggested by the Commission) head of the Labour Sub-Commission while retaining his position at the

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British Embassy. This proposal was generally agreed, but has now been turned down by London - I understand by the Ministry of Labour. This is quite appropriate the Minister's feeling that the Labour Attache has really important work to do and should be free to accomplish it, I think it should be put to the Minister of Labour that he would be able to do this much more effectively by taking on the additional functions of head of the Labour Sub-Commission than placed as he is now. As head of the Sub-Commission he will be able to have contacts both with the Government and with the Trades Union leaders and play the role which I think Mr. Bevin wishes him to play of assisting to rebuild Italian labour on a properly organized trade union basis. When the Commission withdraws away, he will continue in his post as Labour Attache with great experience behind him and with great influence. If he merely remains in a detached position he cannot achieve very much; and I am sure it would be to the interests of these purposes which the Minister of Labour has at heart if he were allowed to accept the post of head of the Labour Sub-Commission while of course retaining his position as Labour Attache to the Embassy.

(3) Press Attache.

I am proposing a reorganization of the Press work in Italian Government Italy and Allied Government Italy. At present P.W.S. in the integrated organ for propaganda under the direct control of A.M.S. The Allied Commission also has a Public Relations Officer and the whole mechanism of propaganda. The relations between these two have never been very happy or a very clear line of demarcation drawn as to their functions. I should like them to be amalgamated as far as liberated Italy is concerned (both Italian and A.M.S. territory) and operate directly under the Commission P.W.S. should, I think, retain its functions in respect of Kesselring's Italy where propaganda is a direct instrument of military operations and directed fact as much to the Press Officers of the Germans. If this reorganization takes place, I suggest that the Press Officers of the Allies should be brought in either into the structure of executive control or in an advisory capacity so as to make a proper coordination of effort. On the American side this would present no difficulties. O.W.I. officers would be made available to the Commission. In the case of the British side, a certain number of P.W.S. officers will have to be assigned to the Commission. I am not sure that financial arrangements will have to be made. If they are not, some on the Mediterranean War Establishment no trouble arises; if they are not, some special arrangements will have to be made. It is clear also that the joint publicity operations of the Commission will be divided into (a) telling the Italians about the American and British war effort, and in particular the work of the Allied Commission; (b) telling foreign correspondents about the work of the Allied Commission. There will be one purely British and purely American propaganda which the British Press Attache and the American Press Attache will have to handle separately. Nevertheless, under the present physical conditions they would be able to get as much as they can through the integrated machine, and if they are diplomatic and ingenious they should have no difficulty in this. At any rate this plan must assist and cannot injure the possibility of putting over British propaganda either jointly with the Americans or separately as our own effort.

These proposals have in view -

(3) Press Attache.

I am proposing a reorganization of the Press work in Italian Government Italy and Allied Government Italy. At present P.W.B. is the integrated organ for propaganda under the direct control of A.W.H.Q. The Allied Commission also has a Public Relations Officer and the whole mechanism of propaganda. The relations between these two have never been very happy or a very clear line of demarcation drawn as to their functions. I should like them to be amalgamated as far as liberated Italy is concerned (both Italian and A.W.H.Q. territory) and operate directly under the Commission. P.W.B. should, I think, retain its functions in respect of Konsulring's Italy where propaganda is a direct instrument of military operations and directed not so much to the Italian as to the German. If this reorganization takes place, I suggest that the Press Officers of the German side should be brought in either into the structure of executive control or in an advisory capacity as an to make a proper coordination of effort. On the American side this would present no difficulties. G.W.I. officers would be made available to the Commission. In the case of the British side, a certain number of P.W.B. officers will have to be seconded to the Commission. I am not sure what financial arrangements will have to be made. If they are Army officers on the Mediterranean War Establishment no trouble arises; if they are not, some special arrangements will have to be made. It is clear also that the joint publicity operations of the Commission will be divided into (a) telling the Italians about the American and British war effort, and in particular the work of the Allied Commission; (b) telling foreign correspondents about the work of the Allied Commission. There will be some purely British and purely American propaganda which the British Press Attache and the American Press Attache will have to handle separately. Nevertheless, under the present physical conditions they would be wiser to get as much as they can through the integrated machine, and if they are diplomatic and ingenious they should have no difficulty in this. At any rate this plan must assist and cannot injure the possibility of putting over British propaganda either jointly with the Americans or separately as our own effort.

These proposals have in view -

- (a) To prevent the growth of any divergence between the Allied Commission and A.W.H.Q. and the Excession.
- (b) To utilize to the best advantage the very efficient technical officers which the Germans can provide.
- (c) To give those officers an opportunity of acquiring experience and influence and thereby strengthen their position when the time comes for the Commission to end.

30th November, 1944.

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APPENDIX B.1

Civil Affairs Section's Appointments

LEGAL

First President of Courts of Appeal
Councillors of Cassation and Appeal
Prosecutors General
Sostituti di Procuratori Generali
Presidenti di Tribunali
Procuratori del Re

Primo Pretori (of towns of pop. 50,000)

ADMINISTRATIVE

Prefetti
Vice Prefetti
Vice Prefetti Inspectors
Consiglieri Primo Grado
Consiglieri Secondo Grado
Primo Segretario to Prefect
Special Secretary
Director of Religious Affairs
Sindaci of communes of Town (Clark) pop. 15,000

PUBLIC SAFETY

Legion Commanders of M.R.
Legion Commanders Guardia di Finanza
Questori Public Security Service
Regional Directors Prison Service
Commandants (and upwards) Fire Service

EDUCATION

Rettori
Professori (titulari)
Presidi of Faculties
Academy Inspectors of schools (local and centralized)
Heads of Divisions in Ministry of Education
Provveditori
Presidi of Scuola
Inspectors of Schools
University Lecturers

PUBLIC HEALTH

Chief Medical Officer at Ministry of Interior

APPENDIX B.11

Economic Section's Appointments

SUBJECT: Level at which appointment of Italian officials should be approved by Allied Commission.

REMARKS: All appointments down to the level of Grade 4, Commission, Director, other, etc.

Students of measures of
Town Clerk) pop. 15,000

PUBLIC SAFETY

Local Commanders of the
Legion Comandante Guardia di Pinerolo
Quartier Public Security Service
Regional Directors Prison Service
Commandants (and upwards) Fire Service

EDUCATION

Professors
Professors (titular)
President of Faculties
Academy Inspectors of
schools (local and
centralized)
Heads of Divisions in
Ministry of Education
Provvisori
President of Schools
Inspectors of Schools
University Lecturers

PUBLIC HEALTH

Chief Medical Officer of
Ministry of Interior

APPENDIX B-11

Economic Section's Appointments

SUBJECT: Level at which appointment of Italian officials should
be approved by Allied Commission.

STAFF: All appointments down to the level of Grade 4, Commission, Inspector
General, Segretario Generale of banks; insurance companies and other financial
institutions clothed with public interest. Other appointments within the Italian
Government may believe to be of interest to the Commission.

PUBLIC WORKS AND UTILITIES: Appointments down to Grade 5
(Segretario Generale del Genio Civile, Capo Compartimento etc.)

COMMERCE & INDUSTRY: Heads and Deputies of Direzione Generale, titular and
managing directors of industrial or mercantile institutions. Also Commissioners
of important companies.

LABOUR: Commissioners of National Insurance Agencies and other national agencies
formerly linked into the Fascist cooperative structures concerned with such labour
matters as welfare, assistance, protection and safety of workers. Appointments to
the position of Regional and Provincial Labour Director.

AGRICULTURE: Chiefs of Ministerial Bureaus such as Fertilization and Hygiene, Comptroller
General of the rank of Agricultural Inspectors and Conservators Agrario officials.

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TRANSPORTATION: Director of Mercantile Marine, Principal Inspector of the General Directorate of civil motorization and transportation appropriations, Director General of the Italian State Railways.

UNIFORMS: Commission of the four subsidized Italian assembly companies, "Italiana", "Adriatica", "Sirtrenia" and "Orion", formerly "Lloyd Triestino".

FOOD: Directors Generali dell'Alimentazione and the head of the Ufficio Nazionale dell'Approvvigionamento e Distribuzione Alimentare.

APPENDIX B III

Italian Government's Proposed List:

Ministri e Sottosegretari di Stato
Capo di Stato Maggiore Generale dell'Esercito
Capo di Stato Maggiore Esercito
Capo di Stato Maggiore Marina
Capo di Stato Maggiore Aviazione
Principali Rappresentanti Diplomatici
Alto Commissario per l'Egemonia
Vice Alti Commissari per l'Egemonia
Direttore Generale della Pubblica Sicurezza
Comandante Generale dei Carabinieri

Added Suggestions:

High Commissioners for Sicily and Sardinia.

APPENDIX B IV

Ref: 02/E/134/000.1

10th March, 1944.

Recent events over certain appointments have shown that it is clearly desirable for us to have a mutually satisfactory arrangement to prevent misunderstandings and subsequent difficulties which it is in all our interests to avoid. I would suggest, therefore, that it should be agreed that you will let me know before any appointments to the Government is actually announced. Equally, I should be glad if you will express upon all the matters of your Government that they should, in turn, consult the appropriate authorities in the Allied Control Commission before making any similar appointments in their own departments either at the seat of the Italian Government or in any of its provinces.

Ministri e Sottosegretari di Stato
 Capo di Stato Maggiore Generale dell'Esercito
 Capo di Stato Maggiore Esercito
 Capo di Stato Maggiore Marina
 Capo di Stato Maggiore Aviazione
 Principali Rappresentanti diplomatici
 Alto Commissario per l'Emigrazione
 Vice Alto Commissario per l'Emigrazione
 Direttore Generale della Pubblica Istruzione
 Comandante Generale del Carabinieri

Other Suggestions:-

High Commissioners for Sicily and Sardinia.

APPENDIX B. IV

Ref: 02/2/134/000.1

10th March, 1944.

Recent events over certain appointments have shown that it is clearly desirable for us to have a mutually satisfactory arrangement to prevent misunderstandings and subsequent difficulties which it is in all our interests to avoid. I would suggest, therefore, that it should be agreed that you will let me know before any appointment to the Government is actually announced. Equally, I should be glad if you will inform upon all the members of your Government that they should, in turn, consult the appropriate authorities in the Allied Control Commission before making any similar appointments in their own departments either at the seat of the Italian Government or in those provinces under Italian jurisdiction. As they already enjoy close and friendly relations with the Sub-Commission with whom they work, this should be an easy matter to arrange. It is clear that each minister must be strictly accountable for all appointments in his department and the arrangement which I propose should be to their interests in carrying out the work which we are doing together.

I should be glad if you will let me know whether you are in full agreement with the proposals made in this letter. If so, I will give the necessary instructions to the various heads of sections and sub-commissions of the Allied Control Commission as soon as you confirm that members of your government have been notified of our agreement.

H.E. Marshal Pietro Badoglio
 Capo del Governo.

ROSL MASON M.C. (R.A.),
 Lieutenant Colonel
 Chief Commissioner.

785017

Salerno, 13th March, 1944.

Dear General,

After having worked with me for quite some time, you know that it is my absolute decision to proceed in any matter in full accord with the Allied Control Commission over which you preside.

With regard to this, at next Thursday's Council of Ministers, I shall give definite orders to the effect that no government appointment be made without previous agreement with the Commission.

I hope that the same feelings prevail with the Control Commission toward us, so that it might be possible to come, in common agreement, to a revision of certain positions given to certain persons in the provinces recently turned over to the Italian Government, and which render nearly impossible a normal functioning of government.

With cordial greetings,

/s/ BULOGHIO.

To General Noel Mason MacFarlane,
Chief of the Allied Control Commission,
Naples.

APPENDIX C

LAC 763 of 19th October, 1944.

Reference: CAL 852, LAC 736.

Subject: Is Bread Ration for Italy.

1. Recent public announcements, which have been given wide circulation in Italy by the press, are interpreted by me to mean that the policy is to provide a 300 gram bread ration immediately; this ration to be ration wide on liberation of the North.
2. Confirmation is requested that my understanding in paragraph 1 is correct and that you wish me to implement this policy.
3. This policy cannot be implemented without increased imports since the import program authorized for the months of November and December is below the monthly needs of imports indicated in paragraph 4 of my letter of 24th September. From a military standpoint the tranquility of the Mediterranean Theatre might be jeopardized if the 300 gram bread ration were not sanctioned.

4. If I am to establish a 300 gram bread ration, there are 2 alternatives:

To General Noel Mason Macfarlane,
Chief of the Allied Control Commission,
Berlin

13/ RADIOGRAM.

APPENDIX 12

LAC 763 of 19th October, 1944.

Reference: CAC 852, LAC 736.

Subject: 44 grain ration for Italy.

1. Recent public announcements, which have been given wide circulation in Italy by the press, are interpreted by me to mean that the policy is to provide a 300 gram bread ration immediately; this ration to be ration wide on liberation of the North.

2. Confirmation is requested that my understanding in paragraph 1 is correct and that you wish me to implement this policy.

3. This policy cannot be implemented without increased imports since the import program authorized for the months of November and December is below the monthly scale of imports indicated in paragraph 4 of my letter of 24th September. From a military standpoint the tranquility of the Mediterranean Theater might be jeopardized if the 300 gram bread ration were not sanctioned.

4. If I am to establish a 300 gram bread ration, there are 2 alternatives:

a. Step up monthly shipments to the level required to produce **581** of 1,300,000 tons during the harvest year. This would mean a monthly import of 1,300,000 tons from January through June 1945, or beginning on all Italy estimated at 165,000 tons from January through June 1945, or beginning December if possible.

b. Use existing stocks, together with imports under the existing program. The effect of this plan would be to exhaust the unused grain by 1st March assuming inland transport not a limiting factor. I can only undertake this procedure under an absolute guarantee that stocks so used will be replaced in full to permit continuity of the 300 gram ration until the next harvest season. Without such guarantee I can see nothing but trouble ahead.

5. I recommend the first alternative. However even if approved, I would be unable to announce such a plan prior to the approval of a shipping program to meet it.

6. Your instructions are requested. In the meantime and in any event AAC will step up its efforts to realize maximum local production, particularly in products which may be substituted for wheat, and will continue to tighten up the administration of cereals wherever possible.

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APPENDIX BMAP 810 of Las Vegas, 1944.

Civilian supplies for Italy in subject.

In view of the public statements of the President and the Prime Minister, I am proposing to take the following steps.

1. I am arranging for all current requisitions for basic civilian supplies to be reviewed on the accompanying sheet.

First, that they will be provided and financed as heretofore.

Secondly, that they would be framed upon a more liberal interpretation of the "Munich and Warsaw" formulae.

3. In addition and in conformity with the joint statement of 25th September and the President's statement of 10th October, I have instructed the Allied Commission to draw up a program of industrial first-aid. This will be recommended to you as soon as possible.

4. I am assuming that the necessary finance for (1) will be provided so long as Italy is a Theater of or Base for Military Operations and for a period of 6 months thereafter.

5. For planning purposes for (2) I am assuming an expenditure comparable with the sources of new finance outlined; military compensation mentioned in the President's statement, to be spent over a period of 12 months.

I hope this will meet with your approval as I am convinced that this is the right course to pursue.

0312

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

785017

2. In addition and in conformity with the joint statement of 26th September and the President's statement of 10th October, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

3. I am assuming that the necessary finance for (1) will be provided so long as Italy is a theatre of or base for Military Operations and for a period of 6 months thereafter.

4. For planning purposes for (2) I am assuming an expenditure commensurate with the resources of new Finance outside military responsibilities mentioned in the President's statement, to be spent over a period of 12 months.

I hope this will meet with your approval as I am convinced that this is the right course to pursue.

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SUMMARY OF RECOMMENDATIONS, MADE IN THE NAME
OF THE RESIDENT MINISTERS, CENTRAL MEDITERRANEAN,
EMERGED "ALLIED POLICY TOWARDS ITALY".

1. That the Political Section of the Allied Commission be abolished. (Page 3)
2. That the Allied Commission confirm to the Italian Government that they may have direct relations with foreign representatives accredited to the quindral. (Page 3).
3. That Italian representatives abroad be given their own offices. (Page 3).
4. That the Allied Commission surrender its control over Italian legislatures in Italian territory. (Page 4).
5. That the right of approval by the Allied Commission of all Italian appointments in Italian Italy be surrendered except in regard to the appointments of Service Chiefs to include Chiefs of Staff and Commanders of formations re-equipped for active service in the field. (Page 4).
6. That local officers of the Allied Commission be withdrawn from Italian Government Italy. (Page 5).
7. That the functions of certain sub-commissions in respect of Italian Government Italy be abandoned by the Allied Commission. (Page 6).
8. That "demilitarization" is only possible at Headquarters, Allied Commission, and not in the field. (At Headquarters there are a number of limiting factors.) (Page 6).
9. That consumption goods and certain capital goods should continue to be imported by the War Department and the War Office for civilian needs in Italy and that these imports should be maintained as long as Italy is a theatre of base for military operations and for a period of six months thereafter, and that the "disposal and unrest" formula should be more liberally interpreted for this purpose. (Page 9).
10. That an additional programme for industrial first-aid be approved, to be financed, so far as the American side goes, from the resources of new finances mentioned in the President's statement of 10th October. His Majesty's Government to contribute a percentage of whatever sum may prove to be in the usual proportion. (Page 10).

3. That Italian representatives abroad be given their own systems. (Page 3).

4. That the Allied Commission surrender its control over Italian legislation in Italian territory. (Page 4).

5. That the right of approval by the Allied Commission of all Italian appointments in Italian Italy be surrendered except in regard to the appointments of Service Chiefs to include Chiefs of Staff and Commanders of Commissions re-equipped for active service in the field. (Page 4).

6. That local officers of the Allied Commission be withdrawn from Italian Government Italy. (Page 5).

7. That the functions of certain sub-commissions in respect of Italian Government Italy be absorbed by the Allied Commission. (Page 6).

8. That "demilitarization" is only possible at Headquarters, Allied Commission, and not in the field. (At Headquarters there are a number of limiting factors.) (Page 6).

9. That consumption goods and certain capital goods should continue to be imported by the War Department and the War Office for civilian needs in Italy and that these imports should be maintained as long as Italy is a theater of base for military operations and for a period of six months thereafter, and that the "diapers and nappies" formula should be more liberally interpreted for this purpose. (Page 7).

10. That an additional program for industrial first-aid be approved, to be financed, so far as the American side goes, from the source of new finance mentioned in the President's statement of 10th October; His Majesty's Government to contribute a percentage of whatever sum may prove to be in the usual proportion. (Page 10).

27th NOVEMBER, 1944

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DISTRIBUTION:

Col. J.H. Laessle, Secretary,
 SAC's Conference
 Sir Noel Charles, H.A. Ambassador
 Hon. Alexander Kirk, U.S. Ambassador
 G-5 APMG
 Chief Commissioner
 Chief of Staff
 VP Civil Affairs Section
 VP Economic Section
 VP Political Section (A)
 VP Political Section (B)
 VP Political Section (C)
 VP Establishment Section
 Navy Sub-Commission
 Air Forces Sub-Commission
 Land Forces Sub-Commission (LAFIL)

MA WINDHAM
 MAJOR RYAN
 SPARKS
 P.R. BOK
 WINDHAM SC
 BRIC LUSH
 A/PMS FOR APMG
 SPARKS
 G-5 APMG

Copy No.

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758

FILED

Date: 508

22 December 1944

Ref: 4756/228

SUBJECT: Requirements for capture.

TO : Col. DORRIS, Radio Section.

1. On finding our concentration this morning, when I was in London I was asked to bring the following to the attention of the command section.

2. In the signal HQ 1, paragraph 2, it is laid down (I am writing from memory, not having the signal in front of me) that in the event of a requisition not being able to be included in Category A it should be placed in Category B. London pointed out to me that this is at variance with the procedure set out in General WILSON's HQ 640, which stated that when requisitions were unable to be included in Category A it would be necessary to attempt to get a more liberal interpretation of the "discrete and urgent" formula. Quite frankly, I do not see the point of this and consider it rather academic, as I know that the officers and civilians who are at present in Washington discussing the Italian problems are considering this particular question and hoping to get the HQ to give a more liberal interpretation of the formula.

3. I am doing, however, what I was asked to do when I was in London and passing you this note.

Major P. J. Doherty

Major,
Office, Chief of Staff.

578

1. Confining to conversation this morning, when I was in London I was asked to bring the following to the attention of the Board Section.
 2. In the signal 1, paragraph 2, it is laid down (I am writing from memory, not having the signal in front of me) that in the event of a negotiation not being able to be included in Category A it should be placed in Category B. London pointed out to me that this is at variance with the procedure set out in General WILSON's MAP 610, which stated that when negotiations were unable to be included in Category A it would be necessary to attempt to get a more liberal interpretation of the "diplomatic and treaty" formula. (into French, I do not see the point of this and I rather is rather academic, as I know that the citizens and civilians who are at present in Washington discussing the Italian problems are considering this particular question and trying to get the OAS to give a more liberal interpretation of the formula.
 3. I am going, however, what I was asked to do when I was in London and pursuing you this note.

Major B. Talbot

Major,
Office, Chief of Staff.

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 23/12

785017

COPY

~~SECRET~~

ROUTINE

5511

FROM: AGWAR THE COMBINED CHIEFS OF STAFF (BOOK MESSAGE)

TO : WILSON FOR ACTION, SHAFER VERSAILLES FOR EISENHOWER,
TO CENTRAL DISTRICT UK BASE SECTION LONDON TO BRITISH
CHIEFS OF STAFF FOR INFORMATION

REF NO THIS MESSAGE : WX 74981, 9 December 1944.

JAN - 6 1945

PAN 456

Reference NAF 814, dated 17 November 1944.

1. Provision of additional civilian supply shipping for ITALY is subject.
2. You were advised in PAN 450, dated 13 November 1944 that urgent consideration is being given to question of your responsibility beyond civilian supplies essential to your Military Mission.
3. In NAF 814 your request consideration of additional shipping to lift supplies in implementation of three projects outlined therein, all of which you say are over and above the measure of relief now applicable under existing directives.
4. Questions raised by you involve political and economic problems which must now be considered in the light of acute overall shipping shortages. Pending receipt of Combined Chiefs of Staff instructions, you should insure that NO commitment is made either to the Italian Government or to UNRRA on projects programmed or contemplated along lines of NAF 814, particularly avoiding commitments either as to shipping tonnages or as to definite dates or periods as of which the Italians or UNRRA may bid for shipping independent of the military authorities.
5. Separate cable will be dispatched on UNRRA operations in ITALY.

NOTES: NAF 814 Ref YX 53733 MC OUT 4305 17/11/44 G-5
PAN 450 Ref WX 62000 MC IN 9813 14/11/44 G-5

576

MC IN 8205 10 Dec 44 1522A Ref No. WX 74981

1 SPARE FIELD (ORIGINAL ON 2208/CIS)

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

FILE 54

Ref. 14001/006

Tel. 451

7 December 1984

SUBJECT: Press Releases on Joint Programming.

TO : Economic Section.

1. Please let us have your file with supporting documents to which the attachments hereto (Letter 11.05/84 dated 5 Dec 84, with draft AF announcement) refer.

cu
Chief Staff Officer,
To the Chief of Staff.

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Translation

Department of State
The Secretary General
1/7/44

Room, 21 November 1944

Dear Admiral,

Before he left for London, Minister Macmillan had a long interview with the President of the Council and with the Undersecretary for Foreign Affairs, with whom he talked, among other things, about the present military situation, which might possibly be modified.

Minister Macmillan asked me to carry you, under the shortest possible form, a draft of the chief and most urgent wishes of the British Government, which he meant to discuss personally with Prime Minister Churchill.

So therefore gave Minister Macmillan the draft the copy of which I enclose.

I remain,

Yours truly,

/s/ W. Averell

Commander Henry A. Stone
Chief Commissioner of the Allied Commission
A P M S

Trans. S.C.

574

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seen —
P/A
eww
27/11

MEMORANDUM FOR THE RT. HON. HAROLD MAC MILLAN

1. On September 17th, the Italian Ministry for Foreign Affairs handed to Ambassador Charles and Ambassador Kirk the draft of a new Agreement between Italy, the Allies and the U.S.S.R., setting forth the guiding principles to which, according to the Italian Government, a revision of the present Armistice conditions, in accordance to the new situation, could have usefully taken place. (Enclosure n.1)

The Italian Government confirms the above draft in respect of all those clauses which have not been superseded by subsequent agreements or decisions.

2. With letters dated October 4th and November 18th, the Undersecretary of State for Foreign Affairs submitted to Comodoro Stone certain guiding principles which, according to the opinion of the Italian Government, might usefully inspire the transformation of the A.C.C. into the A.C. (Encl.n.2 and 3).

The Italian Government confirms the ideas set forth in the two above documents, on which it wishes to draw the attention of the Rt.Hon.Mr.Mac Millan.

3. The Rt. Hon. Mr. Mac Millan has kindly asked that the questions to which the Italian Government attaches the greatest urgency and importance in the framework of the present Armistice relations, should be briefly summed up.

U.S.S.R., setting forth the guiding principles to which, according to the Italian Government, a revision of the present Armistice conditions, in accordance to the new situation, could have usefully taken place. (Enclosure n.1)

The Italian Government confirms the above draft in respect of all those clauses which have not been superseded by subsequent agreements or decisions.

2. With letters dated October 4th and November 18th, the Undersecretary of State for Foreign Affairs submitted to Comodoro Stone certain guiding principles which, according to the opinion of the Italian Government, might usefully inspire the transformation of the A.C.C. into the A.C. (Encl. n.2 and 3).

The Italian Government confirms the ideas set forth in the two above documents, on which it wishes to draw the attention of the Rt. Hon. Mr. Mac Millan.

3. The Rt. Hon. Mr. Mac Millan has kindly asked that the questions to which the Italian Government attaches the greatest urgency and importance in the framework of the present diplomatic relations, should be briefly summed up.

The enclosed document endeavours to reply, in the most possible concise terms, to the above request.

Rome, 20th. November, 1944

PRINCIPAL PROBLEMS OF MORE URGENT SOLUTION

1). Italian Government and Allied Control. - It is essential to return to the Italian Government the necessary substantial and not only formal autonomy. To this end:

a) The A.C. converted into a civil consultation and cooperation body between the Allies and Italy, should withdraw all its dependent control offices in the territories returned to the Italian Administration, confining itself, at the utmost, to keeping a limited number of observers with the sole purpose of furnishing the A.C. with all relevant information, but without any executive power.

b) Similarly all Allied Offices at present stationed in most Ministries and other official or semi-official bodies should be withdrawn. The A.C. and the various subcommissions should include instead, in a basis of parity, Italian representatives, so as to assure a continuous and harmonious cooperation between the Commission and the Government.

c) The A.C. should relinquish all control in respect of those Ministries and other official or semi official bodies whose activities are not directly connected with the war effort and economic reconstruction activities.

d) The A.C. should examine directly with the Italian Government all questions of common interest, leaving exclusively to the latter the responsibility of carrying out the subsequent agreements.

e) In the territories returned to the Italian Government all Allied intervention should cease as regards the appointments, promotions and transfer of public officials.

f) The military subcommissions should be substituted with an Allied Military Mission until the end of hostilities in Italy. The duties of this Mission might be fixed by agreement between the Allied Authorities and the competent Italian Departments.

2). Problems relating to the Italian economical situation. The partition of Italy north and south of the fighting lines has completely disrupted the country's economic unity, whilst the liberated territories have found themselves completely cut out from all their former national and international trading centres. The destruction

to withdraw. The A.C. and the various subcommissions should include instead, in a basis of parity, Italian representatives, so as to assure a continuous and harmonious cooperation between the Commission and the Government.

c) The A.C. should relinquish all control in respect of those Ministries and other official or semi official bodies whose activities are not directly connected with the war effort and economic reconstruction activities.

d) The A.C. should examine directly with the Italian Government all questions of common interest, leaving exclusively to the latter the responsibility of carrying out the subsequent agreements.

e) In the territories returned to the Italian Government all Allied intervention should cease as regards the appointments, promotions and transfers of public officials.

f) The military subcommissions should be substituted with an Allied Military Mission until the end of hostilities in Italy. The duties of this Mission might be fixed by agreement between the Allied Authorities and the competent Italian Departments.

2). Problems relating to the Italian economical situation. The partition of Italy north and south of the fighting lines has completely disrupted the country's economic unity, whilst the liberated territories have found themselves completely cut out from all their former national and international trading centres. The destruction caused by the war operations, as well as the deliberate ones carried out by the retreating enemy have deprived the liberated territories of most instruments of production and practically destroyed the transport and communication system.

To this end it would be necessary:

a) to return to Italy the faculty of reestablishing normal trade relations with all non enemy countries.

b) To grant to this end the necessary Italian tonnages for the import and export traffic.

-2-

c) To enable Italy to start again her production activity. The most urgent necessity to this end is the reorganization of transport. Motor vehicles are particularly needed since the railway system is at present mostly engaged in war transport.

It is also necessary to derequisition the numerous factories which, although spared from destruction during the military operations, are at present idle owing to the fact that they are requisitioned or occupied by the Allies.

d) To urgently undertake the economic reconstruction of the country. Granting of credits to this end to be spent in America and in Great Britain for the necessary purchases.

3). Financial problems. - The Allied occupation in Italy has brought about very serious financial consequences due, in the first place, to the issue of Lira and to numerous burdens due to services, materials etc. furnished to the Allies. It would be necessary:

a) To open corresponding credits in dollars or sterling in respect of all Lira, not relating to actual occupation expenses (as decided in respect of the pay to U.S. Armed Forces in Italy).

b) To clearly establish the nature of the other burdens, granting corresponding credits or supplies in respect of burdens which, according to a benevolent interpretation of the armistice clauses, should not fall on the Italian people.

c) To facilitate the disposal by the Italian Government of foreign exchange and other assets and goods abroad, at present blocked in favour of the Allies.

d) To leave to the Italian Authorities all decisions in the matter of revenue-collecting, and to return to the Italian Customs the exercise of their normal functions.

4). Food problem. - It is urgent to provide for the country's food necessities. In view of the oncoming winter and the fact that the forecast concerning the new crops are extremely bad: in particular to increase the importation of grain in a measure sufficient to guarantee to the whole population the ration existing in the southern provinces and for the reestablishment of supplements for heavy workers, the sick (T.B.), expectant mothers and children.

5). War Prisoners. - The problem of the P.O.W. is all important.

3). Financial problems. - The Allied occupation in Italy has brought about very serious financial consequences due, in the first place, to the issue of Lira and to numerous burdens due to services, materials etc. furnished to the Allies. It would be necessary:

- a) To open corresponding credits in dollars or sterling in respect of all Lira, not relating to actual occupation expenses (as decided in respect of the pay to U.S. Armed Forces in Italy).
- b) To clearly establish the nature of the other burdens, granting corresponding credits or supplies in respect of burdens which, according to a benevolent interpretation of the armistice clauses, should not fall on the Italian people.
- c) To facilitate the disposal by the Italian Government of foreign exchange and other assets and goods abroad, at present blocked in favour of the Allies.
- d) To leave to the Italian Authorities all decisions in the matter of revenue-collecting, and to return to the Italian Customs the exercise of their normal functions.

4). Food problem. - It is urgent to provide for the country's food necessities, in view of the oncoming winter and the fact that the forecast concerning the new crops are extremely bad: in particular to increase the importation of grain in a measure sufficient to guarantee to the whole population the ration existing in the southern provinces and for the reestablishment of supplements for heavy workers, the sick (T.B.), expectant mothers and children.

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5). War Prisoners. - The problem of the P.O.W. is all important for the reconstruction of Italian national life, from a political, social and economical view point. It is necessary to call a meeting of the representatives of the interested Powers, in order to decide finally both the various questions of principle which concern the P.O.W. and the problem of their most convenient employment.

6). The Advisory Committee for Italy. - Should be made to include the most interested party, namely Italy. Better still if it were to be transformed into a Mediterranean Advisory Committee, as it was originally conceived, and which could be eventually linked up with the European Advisory Committee whose activities it could use fully complete.

785017

4001
 R E P U B L I C
 OF ITALY
 MINISTRE DES AFFAIRES
 ETRANGERES
 394.

25 November 1944.

SUBJECT: Credits to the Italian Government.

TO : Chief Commissioner,
Allied Commission.

Before the meeting held yesterday between members of the Economic Section and the Inter-Ministerial Committee of Reconstruction, Minister Soleri handed to Mr. entolled a document, of which a rough translation is attached, asking (a) that the inclusion of imported goods in Category A should be given as liberal interpretation as possible in order to permit the maximum amount to be available under Category B; and (b) that either goods or foreign exchange should be made available as a counterpart to the A.M. Live issued by the Allied Forces for the payment of goods and services; and also against the amount disbursed by the Italian Government on behalf of the Allied Forces.

As regards the first request such action is in accord with the representations of the Allied Commission.

The second proposal is unlikely to receive any support in either London or Washington. The "back road" mentioned in the statement handed to the Italian Government regarding U.S. credit to Italy, states "That in the early future other sources of funds in dollars will be available to the Government of Italy, apore a military."

The Minister of Treasury said that his proposal had been discussed with certain of his colleagues, but it is clear that in its present form the proposal is not officially presented by the Italian Government. I am sending copies to O.S., AFM, and also to Brigadier B. afford who may wish to mention the matter during his visit to Washington.

Copies: Brigadier General B. afford.

O.S., AFM, Financial adviser.

Colonel.

A.P. Grattsey

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TO : Chief Commissioner,
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At the meeting held yesterday between members of the Economic Section and the Inter-Ministerial Committee of Reconstruction, Minister Coleri handed to Mr. Antolini a document, of which a rough translation is attached, asking (a) that the inclusion of imported goods in Category A should be given an liberal interpretation as possible in order to permit the maximum amount to be available under Category B; and (b) that either goods or foreign exchange should be made available as a counterpoint against the lines issued by the Allied Forces for the payment of goods and services; and also against the amount claimed by the Italian Government on behalf of the Allied Forces.

As regards the first request such action is in accord with the recommendations of the Allied Commission.

The second request is unlikely to receive any support in either London or Washington. The "back-round" surrounding the statement handed to the Italian Government regarding U.S. credit to Italy, states "That in the early future other sources of funds in dollars will be available to the Government of Italy, appears unlikely."

The Minister of Treasury said that his proposal had been discussed with certain of his colleagues, but it is clear that in its present form the proposal is not officially presented by the Italian Government. I am sending copies to G5, AFHQ, and also to Brigadier Gifford to my wish to mention the matter during his visit to Washington.

Copies: Brigadier General Gifford.
G5, AFHQ, Financial Advisor.
G.O.B.
D.B.O., Economic Section.

Colonel,
Joint Director,
ECONOMIC SUB-ADMINISTRATION.

570

A.P. Grappley

CONT.

THE MINISTER OF THE TREASURY

having regard to the difficult situation of the Treasury and currency, which requires the most careful vigilance in order to prevent inflation and its disastrous consequences; and

considering the increasing destruction which the extension of war is causing to the economy of the country, *Kuno*

a) That, as far as possible, supplies required by Italy will be included in Category A, in order to avoid that any shall be drawn off the Post-liberation account, which accrues from the ALI-lire issued on Italian Government account for the payment of the American troops, from remittances of Italian citizens residing in the United Nations and from the proceeds of export of Italian goods;

b) that a less strict interpretation of the armistice terms may admit a counter-item in goods or foreign exchange also for the ALI-lire issued for the payment of the Allied Armies' military expenditures (works, supplies, requisitions), and for the payments which the Italian

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b) that a less strict interpretation of the primitive terms may admit a counter-tion in goods or foreign exchange also for the All-lire issued for the payment of the Allied armies' military expenditures (works, supplies, requisitions), and for the payments which the Italian Government has made and is making for works, **569** supplies required by the Allied armies from Italian industry and the State ship-yards.

(sgd) MARCELLO SOLERI.

THE "NEW ORDER" IN ITALYSection I.

Apart from the difficulties inherent in maintaining Allied Military Government in a part of the liberated area while allowing the Italian Government to function over the rest, there has always been a duality in Allied policy to Italy ever since the signing of the Armistice was followed by the doctrine of co-belligerency. This has complicated the problem of Allied relations with Italy from the start. Sometimes we have stood upon one leg - the strict enforcement of armistice terms upon a defeated enemy; sometimes upon the other - friendship and assistance to a co-belligerent whose relations with us are becoming more and more those of an ally. In other words, the word "control" has been alternately kept in and left out of the title of A. G. O.

We must now, I think, take the line that the change of name from Allied Control Commission to Allied Commission has a real meaning. It should be our definite purpose only to exercise control where our military needs require it. In all other Italian problems the function of the Commission should be that of a mission of experts to give advice. If our advice is not accepted, we must shrug our shoulders and allow affairs to take their course.

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2.

444
the French North African territories. It merely protected the military requirements of the Commander-in-Chief - docks, roads, railways, requisitioning of property, and the like. Many of these functions were soon operated by the French authorities as our agents; and, with the gradual lapse of time, although the Clark-Darlan agreement was never formally amended, it became to a large extent obsolete.

In the same way in Italy we should now inform the Government that while we propose to hold absolutely to all our rights under the Armistice, and do not intend to discuss any settlement of purely post-war problems (for instance, territorial and colonial arrangements), yet, subject to the overriding military needs for the conduct of the campaign, we will hold all these rights in reserve. We will make the transfer of authority to the Italian Government a complete reality. In consultation with them we shall provide, if they require it, expert advice on such questions as justice, education, fine arts, etc. If they prefer to do without these experts, we are quite prepared to recall them. In the more important sphere of finance, labour regulation and wage negotiation, etc. we would strongly urge them to listen to our experts, although the final decision will rest with them. Indeed in every

matter which is within the competence of the Italians to do

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With regard to the procurement rights in Italy which we hold under the Armistice, we will leave a choice of method to the Italians themselves. We can continue procuring

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procuring directly and charging to the cost of occupation (that is, an account the total of which is not disclosed and is not brought into the regular budget but which will remain as an Allied claim for final negotiation and settlement after the war). Alternatively we are prepared to hand over procurement to the Italians to be paid for on a lira account which they can deal with in whatever budgetary way may seem suitable.

With regard to imports of all kinds of commodities which must be under Allied control, we will explain to them after settlement with London and Washington the exact plan which we propose to operate.

Section II.

Under this plan, imports of consumption goods and certain durable or capital goods will continue to be the duty of the War Department and the War Office to provide. The scale of these will be regulated by the "diseases and unrest" formula, but having regard to the facts (a) that after another year of shortage the need is greater, and (b) that where many Italians are actively engaged in military, air and naval operations in support of our arms, a standard of life for their nationals and dependents somewhat higher than that suitable to a

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4.

for themselves and for the general wellbeing of the country will be procured on this account. In order to achieve this, the Allied military authorities will undertake the obligation to carry upon their budgets the cost of these imports in the agreed ratio between the United States and Great Britain. They will inform the Commission of this decision and the Commission will be authorized to inform the Italian Government accordingly. The formula for the length of time which this arrangement can continue should be definitely agreed as follows: During each time as military operations are being conducted in or from the mainland of Italy and for a period of six months thereafter.

Section III.

In addition to this part of the import programme there will be an additional part 2 programme. This will be financed by the methods indicated in the President's statement, that is, net value of American troop pay, any dollar exchange earned by Italian shipping earnings, and the value of remittances from American citizens to persons in Italy. The British Government will make available a sum of money for this programme in accordance with the agreed ratio for normal war expenditures. Within the limits of this total a programme will be prepared by a commission

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5.

Section IV.

The question of the long-term financing of Italy after the military period is over in accordance with the formula will be studied between the two Governments. It will be recognized that the Italian economy cannot be allowed to collapse merely by the fact of military operations having ceased. A five-year programme of imports will be necessary. The consideration of this should not be in any way confused with the proposals for the war and six months post-war period and should not be allowed to delay the operations under the two agreed sections of this programme.

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564

Handwritten signature

Office of the Resident Minister,
Central Mediterranean.

27th October, 1944.

COPY

~~SECRET~~

PRIORITY

TO FOR ACTION: AIRWAR FOR JCS

INFORMATION: CENTRAL DISTRICT UK BASE SECTION (LONDON)
FOR HGS, REPEATED BRASZ

REFERENCE NO. FX 53753

SIGNED : WILSON

CITE : RUGG

NAF 614

Subject is provision of additional shipping for civilian purposes for ITALY.

1. The shipping allocated from producer countries to MTO has hitherto been determined on the basis of operational requirements including civilian needs, screened as within the disease and unrest formula.

2. This basis of allocation will no longer satisfactorily meet civilian needs. There are already several major projects under consideration or actually programmed that together involve heavy shipping requirements. For example:

(A) You have before you my request for authorization of 300-gram ration and for the import of supplies to meet it. This ration is in line with the statements of the President and Prime Minister of the new policy towards ITALY, particularly in respect of the food ration.

(B) Substantial dollar credits have been promised to support an immediate industrial rehabilitation program in occupied ITALY.

(C) Decision has been taken at highest levels to commence an UNRRA program of supplementary relief in ITALY.

All of these projects are over and above the measure of civilian relief which has been granted under the directives applicable thus far and all will involve increased tonnage for the Theater.

3. My immediate concern is with the situation presented in paragraph 2(A) and 2(C). As to 2(A), I have been forced to cut civilian food tonnages along with cuts imposed on military services by reason of the reduction of shipping available for November/December. This means a reduction of about 40,000 tons destined for AD. This will barely permit the maintenance of the existing ration. It will definitely not permit of any increase. It will also make it necessary for me to go into the winter months without reserves in the face of expanding commitments and renewed expectations of substantially increased aid. As to 2(C), I am very conscious of the desirability of starting UNRRA operations in ITALY as soon as possible.

1 SPARE FIELD (ORIGINAL ON 2207/COS)

~~SECRET~~

418

It is, however, patently impossible for me to authorize a supplementary feeding program for a portion of the Italian population if requirements must be provided from within a shipping allocation which is insufficient to meet what I consider to be the minimum overall ration.

4. I will advise you by separate cables of the supplementary tonnage requirements of the above programs as soon as they are known or can be estimated here. The most urgent in my opinion is that of the increased food ration as to which I await word from you. I request that in your consideration of each of the foregoing programs, parallel attention be given to the provision of additional shipping so that whatever steps you may authorize as called for by the declarations of the new policy of the 2 Governments, or otherwise, will not fail for want of tonnage.

5. It is not the intention of this message to indicate an unlimited port acceptance and internal distribution capacity. Overall shipping tonnage allocations remain subject to overall capacity to accept which in the future as in the past may be expected to vary with operational plans. It is submitted, however, that increased commitments should only be made after it is determined that the additional shipping can be made available. Shipments can then be called forward in accordance with our ability to accept.

ORIGINATOR: G-5

AUTH: NORMAN P. SEAGRAVE, MAJOR

COORDINATED WITH: CAC
G-4 (A)
G-4 (B)
REV & TH

APPROVED BY: CHIEF OF STAFF

ME OUT 4305 17 Nov 44 1336A REF NO: PX 53733

~~SECRET~~

400107
CONFIDENTIAL

10. AGMAR FOR CCS FOR CCAC INFO LEVEL REPTD FOR INFO TO CENTRAL DISTRICT UX
BASE SECTION (LONDON) FOR BRITISH ++

FROM: AFHQ SIGNED WILSON

PZ 50904

ROUTINE

NOV 101915A

CITE PHGSC, PHONS
1 I NOV Recd

++CHIEF OF STAFF, HQ SOMEONE MAIN (EFOUSA) WANT FOR SHOE, TROOPERS, AG,
PERSAUX. (This is LAC 801)

CONFIDENTIAL. COM-LOC series is subject.

FOR INFORMATION ONLY

Ref CAL 923.

33

1. See MCC 1, 8 Nov as cross ref this message, defining civilian supply items as categories "A" and "B" and outlining proposed procedure.
2. In agreement with MCC 1 and as emphasized by contact with HARRIS-MITCHELL it is desirable to place increasing responsibility upon the Italian Govt. The ref No of this message is PZ 50904. With consequent decreasing control by Allied Commission.

3. In line with this thinking it is proposed that COM-MCC be designated the series in which the AC communicates category "B" civilian supplies to CLAC through CCAC.

4. Under this procedure AC and CCAC will initiate MCC and COM signals respectively, each repeating to LONDON and AFHQ for information. AFHQ will not screen these items and should not forward allocation requests. AFHQ will comment where necessary. In this connection it prefers to comment in CAL-LAC series or outside of any series. Since COM-MCC is for supplies of non military responsibility it would prefer

CHIEF OF STAFF, HQ COMBONE BAIN (STOUSA) CHAIR FOR SHUS, THROCPHE, AG,
PERHARK. (This is LAC 801)

CONFIDENTIAL. COM-MOC series is subject.

Ref CAL 923.

1. See LAC 1, 6 Nov as cross ref this message, defining civilian supply items as categories "A" and "3" and outlining proposed procedure.

2. In agreement with MOC 1 and as emphasized by contact with HARRIS- KITCHEN it is desirable to place increasing responsibility upon the Italian Govt. The ref No of this message is FI 50904. With consequent decreasing control by Allied Commission.

3. In line with this thinking it is proposed that COM-MOC be designated the series in which the AC communicates category "3" civilian supplies to CLAC through CCAC.

4. Under this procedure AC and CCAC will initiate MOC and COM signals respectively, each repeating to LONDON and AFHQ for information. AFHQ will not screen these items and should not forward allocation requests. AFHQ will comment where necessary. In this connection it prefers to comment in CAL-LAC series or outside of any series. Since COM-MOC is for supplies of non military responsibility it would prefer not to originate any MOC messages. AFHQ will call forward supplies, coordinating shipping, as at present.

5. Under this procedure it is proposed to amend para five A561
Memo referred in CAL 923.

- 1 -

CONFIDENTIAL

CONFIDENTIAL

MSG CONTINUES PAGE 2

SEE PAGE 1

AFHQ SIGNED WILSON

PA 50904

NOV 10 1915A

8/11

ROUTINE

CITE THREE, FBGDS

CONFIDENTIAL

6. Believe procedure EOC 1 and this message outweigh consideration
CAL 923. HAYES agreed EOC 1 but not been this message.

Dist

Typ-Net: Leon Sec (3)

Inf. Alice

P.O.S.

File (m)

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

AFHQ SIGNED WILSON

FA 50904

NOV 10 1915A

CONFIDENTIAL

6. Believe procedure MOC 1 and this message outwith consideration
CAL 923. HAYES agreed MOC 1 but not been this message.

Dist

Typ-Net: Leon Sr (3)

100f. A/OC

P.O.S-

File (m)

~~CONFIDENTIAL~~

569

NOV 11 0900A

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

LITERAL COPY OF POLIOS 30 - 33.

TO: ACHAR FOR CCS FOR CCAC FOR INFO CENTRAL DISTRICT UK BASE SECTION (LONDON)
FOR BRITISH CHIEFS OF STAFF AND TROOPERS, PEARCE, AND AFHQ.

AC HQ

33C

6194

PRIORITY

5 Nov 44

ECONOMIC SECTION
(CLEVELAND)

THIS IS MOO-1.

~~SECRET~~ Non-military imports into Italy from UNITED STATES and BRITISH sources.

Para.1. Definitions. Supplies for Italy are divided into two categories.

Category "A" are those items and quantities which are considered to fall within the military mission of "preventing disease and unrest", as interpreted by the Combined Chiefs of Staff. The only basis Allied Commission has for judging what falls within or without this general formula is the series of decisions by the agencies of the Combined Chiefs of Staff on particular requisition for civilian supplies for Italy during the past several months. Hence the line between this and the following category is necessarily hard to draw.

Category "B" are those items and quantities which fall outside the scope of the military program of civilian supply, that is outside of category "A".

Para.2. We are informing the Italian Government of Status of all requests for supplies put in by Allied Commission under category "A". We are taking up with the Government individually the requisitions which have been disapproved by AFHQ or CCAC under category "A", to see if the Government considers them to be supplies which should be purchased under Category "B" with the small amount of foreign exchange which may be available to it. We will send you shortly a summary of our recommendations on each of the pending category "B" requisitions.

Para.3. As a result of a series of conferences with AFHQ and the political

Para.1. Definitions. Supplies for Italy are divided into two categories.

Category "A" are those items and quantities which are considered to fall within the military mission of "preventing disease and unrest", as interpreted by the Combined Chiefs of Staff. The only basis Allied Commission has for judging what falls within or without this general formula is the series of decisions by the agencies of the Combined Chiefs of Staff on particular requisition for civilian supplies for Italy during the past several months. Hence the line between this and the following category is necessarily hard to draw.

Category "B" are those items and quantities which fall outside the scope of the military program of civilian supply, that is outside of category "A".

Para.2. We are informing the Italian Government of Status of all requests for supplies put in by Allied Commission under category "A". We are taking up with the Government individually the requisitions which have been disapproved by AFHQ or CCAC under category "A", to see if the Government considers them to be supplies which should be purchased under Category "B" with the small amount of foreign exchange which may be available to it. We will send you shortly a summary of our recommendations on each of the pending category "B" requisitions.

Para.3. As a result of a series of conferences with AFHQ and the political advisers in the theatre, Allied Commission has now received clearance to approach the Italian Government and develop a joint program for Category "B" supplies. We have now asked the Government to draw up three outline programs representing three possible levels of financial availability - 150, 200, and 250 million dollars - and to say in effect how the foreign exchange represented by each of these sums might be spent most efficiently in starting the rehabilitation of Italian production. The Government has agreed to present to Allied Commission a general priority scheme along these lines, and then to work with Allied Commission on the specific projects and detailed requisitions which will be

-2-

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necessary to implement it. Our present target is for this entire job to be completed by the end of the year. We hope to have some overall indication of priorities within a couple of weeks.

Para. 4. Requisitions for category "B" items and quantities will be prepared in the first instance by the Italian Government. These requisitions will then be submitted to Allied Commission for screening as to end - use justification, availability of supply and availability of shipping. Requisitions approved by Allied Commission will be sent in the Com-Moc series to CCAC for CLAC for appropriate procurement action.

Para. 5. As soon as CLAC has ascertained (A) sources of supply and availability, and (B) probable date of readiness at seaboard, FEA or Ministry of Supply will immediately institute supply action, since there is no need for a requisition through military channels as in the case of Category "A" items. CLAC will notify Allied Commission of action taken.

Para. 6. It is assumed that shipping of category "B" items will continue for some time to be handled through military channels. FEA or Ministry of Supply will keep Allied Commission advised as to the availability of supplies for shipment. Allied Commission will call forward supplies through AFHQ in accordance with existing procedures.

Para. 7. We will undertake to secure from the Italian Government with each requisition a statement of willingness to pay out of Italian funds for the articles requisitioned. As to the detailed accounting and banking procedures by which dollars or sterling available to the Italian Government will be used to pay for category "B" imports, proposals will shortly be made, including such matters as the role to be played by ISTCAMEI or Banca d'Italia and the nature of the

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Para.8. Questions of requisition numbering and uniform markings on category "B" requisitions are under consideration. Our objective is to have a single number applied to the item or group of items, from the original requisition to the final marking (through a block of assigned numbers furnished Allied Commission by CLAC, covering both US and British shipments). Your suggestions on this point would be helpful.

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-3-

Para. 9. Nothing in this cable refers to trade with countries other than United States or British sources. Procedure and financial arrangements for trade with neutral countries and other liberated areas is under consideration, with particular reference to TAM airmen 24.

Para. 10. Your comments are requested on the procedure suggested in paras. 4, 5, 6, and 8 above.

Para. 11. Refer in this connection to the mimeographed "Summary outline of essential Italian imports", a draft of which was taken by Mitchell and Marria when they were in Rome, and which has also been sent to FEA for Hunt through diplomatic pouch. We have not report not given a copy this document to the Italian Government. Refer also to the attachments to letter number HD-4 to FEA for Hunt from Cleveland, forwarded through diplomatic pouch 6 Nov.

Para. 12. This cable has been coordinated with C-5, C-4, Movements and Transportation, AFHQ.

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557

Note: This copy verified in sheet
by office C of S. (Transmission
left extended from office omitted
of 4 refators 30-33)

DRAFT TELEGRAM

From: General Wilson

To: Combined Chiefs of Staff

Subject: Civilian Supplies for Italy.

In view of the public statements of the President and of the Prime Minister, I am proposing to take the following steps.

1. I am arranging for all current requisitions for ^{basic} civilian supplies to be reviewed on two assumptions: first, that they will be provided and financed as heretofore; by the ~~military authorities~~ ^{liberal}; secondly, that they ~~would~~ be framed upon a more generous interpretation of the "disease and unrest" formula.

2. ^{In addition and} In conformity with the joint statement of September 26th and the President's statement of October 10th, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

3. I am assuming that the necessary finance for (1) will be provided so long as Italy is a theatre of or base for military operations and for a period of six months thereafter.

4. For planning purposes for (2) I am assuming an expenditure commensurate with the sources of new finance

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4. For planning purposes for (2) I am assuming an expenditure commensurate with the sources of new finance outside military responsibility mentioned in the President's statement, to be spent over a period of twelve months.

5. In order to facilitate placing and filling of requisitions or both programmes, I am proposing to send a small number of progress officers to be permanently stationed in Washington.

I hope this will meet with your approval as I am convinced that this is the right course to pursue.

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lived in the past and how she might live in the future.

Against the background of foreign adventure, it is not easy to select an Italian balance of payments which represents a true economic picture. For our purposes, however, 1958 will suffice:-

(Lire Millions)

	<u>Imports</u>	<u>Exports</u>
Foreign trade	11	8.5
Colonial foreign trade	.4	
Dividends	.1	
Remittances and tourists		2
Freight		<u>.5</u>
Total	<u>11.5</u>	<u>11.0</u>

The deficit was met in gold and foreign exchange from the Banca d'Italia.

FOREIGN TRADE (1100 billions)

<u>Imports</u>		<u>Exports</u>	
Foodstuffs	: Raw	: Manufactures	: Raw
	: Materials	: stuffs	: Materials
1.4	: 5.4	: 2.9	: .5
			: 55 1/2

More than 50% of both imports and exports were with European countries:

Imports	United Kingdom	France	Germany	Switzerland	Argentina	United States
	.7	.2	2.0	.4	.3	1.3
Exports	.6	.3	2.0	.5	.4	.8

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The principal categories were as follows. The important items being underlined:-

IMPORTS

United Kingdom : coal, fish, wool and machinery

Germany : coal (3½ times the U.K. figure) machinery, chemicals, minerals, hides and paper.

Hungary : livestock and wheat.

Argentina : wheat and wool

United States : minerals, oils, iron and steel, cotton.

Other important items were, copper from Chile, cotton from Egypt and coal from Poland.

EXPORTS

United Kingdom : agricultural, textiles.

Germany : agricultural, hemp, silk, rayon, minerals and hides.

Switzerland : agricultural.

United States : silk, rayon, textiles, olive oil.

(s) TRADE PROSPECTS

At the time of writing Italy has suffered considerable material damage and it is impossible to estimate the extent to which the industrial North will be destroyed. Even if factories and plants are not razed to the ground the machinery essential to production is already being exported to Germany. As a result industrial production will be crippled for some years although the wide distribution of textile factories may save that important sector from the fate of the heavy industries. Both now and in the immediate post-war period most countries in Europe are in need of the same

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(i) The key-stone of Italian foreign trade is the grain harvest in Italy. For example, good crop in 1936 resulted in the import of only lire 900,000,000 of foodstuffs; a bad harvest in the following year lead to imports of lire 2,900,000,000. To the extent that it is economically sound Italy must be encouraged to achieve self-sufficiency in grain.

The import of fertilisers or machinery to encourage production of fertilisers in Italy is strongly recommended.

(ii) As a counter-balance to the import of grain Italy used to find a ready market for other agricultural products such as olive oil, vegetables, ~~fruit~~ fruit, cheese, rice and wine. This type of export, making no demand on an import programme, should be stimulated.

(iii) The production and export of real silk should be encouraged.

(iv) The Italian artisan is generally recognised as highly qualified.

Plans for the use in the near future of Italian shipyards both for repair and construction have already been discussed together with a proposal for the repair of vehicles on a large scale.

(v) It is doubtful whether the textile industry for which raw cotton and wool were imported in large quantities can easily be reconstituted. However, certain highly specialised industries should be encouraged to restart by the import of machine tools.

(vi) A programme of necessary imports with particular application to electric power facilities has already been presented.

~~The above points are mentioned with these and the requirements for~~
~~reel-to-reel necessary background.~~

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~~economic necessary background.~~

(b) EMIGRANTS' REMITTANCES

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Prior to the last war, remittances from over-seas were the principal recurring asset in the Italian balance-sheet, but were checked in the early 20's when restrictions on emigration to the U.S. were followed by the Immigration Act of 1924. The rate of remittances roughly follows a year behind emigration; but with the acquisition of a wife and family the connection with the Mother country rapidly weakens. Following three years of complete cessation of remittances, it was thought that a considerable accumulation was awaiting transfer to Italy from the U.S.A. It is surprising and disappointing to find that only 3 - 4 million dollars has in fact been deposited in U.S. banks for transfer.

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For an impoverished and overcrowded country the export of human material^{to} assists in ~~dealing two problems~~, both unemployment and the chronic shortage of foreign exchange. In general terms the Italian abroad is liked and respected as a hard working and sober member of the community. He is the best road maker in the world, and is unsurpassed at extracting the utmost from a barren soil. It is strongly recommended that careful consideration should be given at this time for inclusion within an Anglo-American plan to accept Italian workers after the war in the U.S.A. and various parts of the British Empire. For example, it is realised that Australia remains adamant in her views on immigration. Such intransigence will not however result in the economic development of Australia, and the Italian workmen with his industry and low standard of living would do much to make the desert blossom like a rose. To a lesser degree these arguments must be true of South Africa and Canada. The U.S.A. could also bring pressure to bear upon the South American republics to accept an increased quota of Italian workers.

(c) TOURIST TRAFFIC

Although Italy is not the playground of Europe to the same extent as France and Switzerland, her tourist industry was a thriving asset until the beginning of her foreign adventures. Exchange restrictions and a notable arrogance among her officials resulted in fewer visitors.

On a short term view prospects are not good. Tourists ⁵⁵⁰ good hotels, good roads and comfortable transport, none of which, with few exceptions, is available in Italy today. An important psychological point

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On a short term view prospects are not good. Tourista ⁵⁵⁰ good hotels, good roads and comfortable transport, none of which, with few exceptions, is available in Italy today. An important psychological point which is certainly present in the minds of British and American soldiers is the debunking of the Italian weather. A wet and cold winter followed by an unremarkable summer has resulted in a wide-spread belief that Italy is not the land of beautiful sunshine as depicted by the travel bureaux.

On the longer view, there will be the ex-soldier tourist who wishes to show to his wife and family the horrors of Cassino or the glories of Siena. But in short, no accretion to the credit side of the balance payment can be expected from this source.

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

HEADQUARTERS
ALLIED ~~COMMISSION~~ COMMISSION
ECONOMIC SECTION
APO 394

~~SECRET~~

CONFIDENTIAL

SUMMARY OUTLINE OF ESSENTIAL ITALIAN IMPORTS

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October 1944

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

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SUMMARY OUTLINE OF ESSENTIAL ITALIAN IMPORTS

In the following pages are summarized the current views of the Economic Section, Allied Control Commission, with respect to Italy's most essential needs for imported supplies, roughly during the first half of 1945.

The supplies to be imported have been broken down into two categories:

Category "A": These items and quantities which are considered to fall within the military mission of "preventing disense and unrest", as interpreted by the Combined Chiefs of Staff. The only basis ACC has for judging what falls within or without this general formula is the series of decisions by the agencies of the Combined Chiefs of Staff on particular requisitions for civilian supplies for Italy during the past several months. Hence the line between this and the following category is necessarily hard to draw.

Category "B": These items and quantities which fall outside the scope of the military program of civilian supply (Category "A") and for which provision must therefore be made by the civilian agencies of the Allied Governments. The total amount of money available for the furnishing of Category "B" supplies has been assumed to be the equivalent of \$250,000,000.

Transportation

The chief factor limiting anything to be done in Italy is transportation. That is not a very exciting statement, but the fact has cost the United Nations thousands of shipping tons, of dollars and of pounds sterling.

The Allied Control Commission is convinced that unless adequate provision is made for transporting goods and people within Italy, a large part of any import program will be wasted. Specifically, it believes that any program of Category "B" supplies would be largely wasted unless provision can be made for a minimum number of trucks, tires, buses, batteries, patching kits and fuel to run both the imported trucks and those that can be put into working order by the provision of needed parts.

The need for trucks is so acute that they are considered to be in a special priority class by themselves. On this basis, the estimated needs for trucks and related supplies, broken down by the areas north and south of the Pisa-Rimini line, are given in Appendix "A".

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In addition to the needs for trucks, there is an acute need for railroad locomotives and freight cars, and for coal to run even the locomotives now available for civilian use. Arrangements in this regard are necessarily worked out from day to day with the military railway services and the coal supply authorities of the Allied Armies.

Category "A" Supplies

The supplies required for the "military necessity" needs of Italy have in most cases already been requisitioned. This is not to say that during the first six months of 1945 there will not be additional requisitions as the northern part of the country is opened up and unanticipated essential needs are encountered. Current requisitions, however, give the best indication of needs for Category "A" supplies as currently anticipated by the ACC.

Incorporation in this summary report of the detailed figures and specifications in all these requisitions would be an unprofitable exercise, since the relevant facts and figures have already been sent through military channels and are available for inspection in Rome, Caserta, London, and Washington. The requirements already stated as falling within the military category of civilian supply have therefore been referred to by requisition or purchase number only. The list of these requisitions, by General commodity or purchase groups, will be found in Appendix "B". It should be understood, however, that some of these requisitions have already been filled in whole or in part. They are all included in order to give a complete reference list. Information on action taken on each requisition is presumably available in London and Washington.

Certain commodities require special comments, as follows:

Food - Requests for food imports are handled as statements of requirements rather than as formal requisitions. Estimated requirements through June 1945, as submitted to the CCAC in Washington are shown in Appendix "C". The quantities of wheat and flour shown are required to implement a bread ration of 300 grams throughout Italy, as recommended to the Combined Chiefs of Staff by the Theatre Commander in his letter of 24 September 1944 (CCAC 105/3).

Fuel - Estimates of requirements for both coal and petroleum products are made by Allied Force Headquarters, considering military and civilian needs as parts of consolidated "pooled" import program for the theatre. It is therefore not possible at this time for the Allied Control Commission to give any firm estimate of the quantities of these important commodities falling in Category "A". (In Category "B" an attempt has been made to list requirements of coal for the industrial projects listed).

Power - After very considerable effort, Southern Italy has been provided with power for most of its essential needs. In Central Italy, where 94 percent of all generating capacity was destroyed, the actual need runs into hundreds of thousands of kilowatts. Of the huge potential demand for mobile generating plants, only 25,000 kw have been requested by ACC

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Agricultural Supplies - A table showing the essential minimum imports of agricultural supplies, classified as Category "B", is attached as Appendix "B". These supplies are for use in Italy during the Spring of 1945. It should be emphasized that every ton of imports shown in this table can be justified as saving two or more tons in imported food during the next crop year.

Clothing, shoes, and textiles - LAC Airgram 32 gave the requirements of clothing, shoes, and textiles for the civilian population of Southern Italy and the Islands. Although there is every indication that the need for clothing (or the wherewithal to make clothing) remains one of the most acute consumer needs after food, no affirmative action has been taken on this requisition in Washington. As we move into the north, large additional needs will be uncovered and will have to be met. At present, therefore, the picture on clothing, shoes, and textiles is not bright.

A special project has been under way to provide shoes for the public safety agents of the Italian Government. The needs for this purpose have been met so far primarily from the repairing of Army service shoes in Italy. Increased demands for this purpose in the future may require the import of certain quantities of findings and leather to aid in this repair project.

Category "B" Supplies

It has been indicated to AEC by the U. S. State Department and the British Foreign Office that roughly \$250,000,000 might become available for the purchase of essential imports into Italy, over and above the items and quantities approved as part of the military program. The question therefore arises: In what way would such a sum be most efficiently used in meeting the essential requirements of the Italian people and their economy?

Although an attempt is made here to give a very rough preliminary answer to this question, the answer is necessarily based on assumptions with respect to a host of other, unanswered, questions. For example:

(1) Neither the scope nor the duration of the "military" program (i.e., that approved by the Combined Chiefs of Staff) is clear. It has therefore been necessary in this outline to make a rather arbitrary division between what is and is not included in it.

(2) Two-thirds of Italy's productive power is not yet liberated, and there is little accurate information as to the condition in which the areas north of the Pisan-Rimini line are likely to be found. Facilities in the area will

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(2) Two-thirds of Italy's productive power is not yet liberated, and there is little accurate information as to the condition in which the areas north of the piecemeal line are likely to be found. Present indications are that the productive facilities in the area will be largely destroyed by the retreating Germans.

Subject to these limitations, an attempt has been made to indicate in what types of imported supplies the assumed amount of \$250,000,000 should be "invested", in the best interests of the Italian people and of the United Nations. The estimates that follow are put forward, in effect, as a tentative agenda for further and more detailed discussion.

- 4 -

of specific projects and regulations which will need to be agreed on between the Italian Government and the Allied Central Commission.

The first need is always transportation. Since transportation is the factor limiting everything that is done in Italy, and since the military are in any event the only feasible sources of supply for transportation facilities for it in the next year or so, it is assumed that minimum transportation needs especially in terms of trucks, will be provided as part of the Category "A" program, for which the military assume responsibility. Unless a similar provision can be made for essential transportation needs, along the lines of Appendix "A", it would probably be a mistake, from the standpoint of any of the parties concerned to make the type of investment mentioned.

Assuming that \$250,000,000 is all the exchange which will be available for the whole country, it will be necessary to keep in reserve at least about \$65,000,000 for urgent needs in the north. The rest of the exchange can be tentatively allocated to the southern part of the country on the theory that most of the supplies (other than equipment for hydroelectric plants) which will be purchased for the south with the available funds can equally well be used in the north if the need there proves to be more urgent at the time the supplies actually become available in Italy.

The remaining \$185,000,000 would be applied, almost entirely to industrial and agricultural production, and to the services necessary to any production. More than two-thirds of this sum, \$130,500,000, would be allocated to the partial rehabilitation of the power industry, since virtually all production in Italy has been geared to electricity. Another \$6,000,000 would go for heavy equipment to be used in public works. Agricultural supplies, reclamation equipment, and supplies for the fishing industry, would take up about \$6,650,750, while \$40,872,000 is estimated as the cost of rebuilding, repairing, maintaining and operating supplies for the industries which make (a) goods essential to the living of any civilized people (clothing, for example), and (b) materials needed for the gradual rebuilding of power industry and the consumer industries themselves (e.g., cement and steel).

The significant thing about this (or any other) allocation of this limited sum of money is the following: With \$185,000,000 it is not possible to start production going in Italy to any considerable extent; all that can be hoped for is to put some plants in some basic industries in a position where they can make needed goods if they get the raw materials.

The basic estimates on which the above allocation of funds is made are given in Appendixes "B", "C", and "D". The first of these is in terms of money, and the others in terms of goods.

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The significant thing about this (or any other) allocation of this limited sum of money is the following: With \$195,000,000 it is not possible to start production going in Italy to any considerable extent; all that can be hoped for is to put some plants in some basic industries in a position where they can make needed goods if they get the raw materials.

The basic estimates on which the above allocation of funds is made are given in Appendices "A", "B", and "C". The first of these is a memorandum and tabulation showing what it would take, in terms of money, to repair war damages south of the Visegrád line, as estimated by General North of that line. Although there is included in Category "B" for the present purpose only a portion of the estimates for the power industry, the rebuilding of iron, flooded by the Germans, and a special program of heavy engineering equipment, the entire memorandum is included as an appendix because it gives an idea of the scope of the real

task of rebuilding Italy. More recent information indicates that the assumptions in the memorandum with respect to damage in the north were unduly optimistic; the true costs, therefore, would probably be considerably higher than those indicated in the tabulation.

Appendix "B" indicates the cost of rebuilding, repair, maintenance, and operating supplies, for a number of basic industries, in terms of the money value of imported supplies and also in terms of power and imported coal. The data on industries in the southern part of the country (at least up to a line drawn through the city of Terni) is based to a considerable degree on actual engineering surveys in the field; the needs for the rest of the country are estimated by the use of factors based on the proportion of Italy's total production in each industry which is located in the southern part.

Appendix "C" shows the breakdown of the \$6,150,750 which is taken as the cost of essential imports of agricultural supplies, and supplies for the fishing industry over and above those already requisitioned through military channels.

The following table summarizes the allocation of the \$250,000,000 to the various categories of essential needs.

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TABLE I

TENTATIVE ALLOCATION OF FUNDS FOR CATEGORY "B"
IMPORTS INTO ITALY

Total funds assumed to be available	250,000,000
ELECTRIC POWER INDUSTRY (1)	
Power stations	76,500,000
Switching stations	30,000,000
Transmission	24,000,000
PUBLIC WORKS (2)	
Heavy engineering equipment (3)	6,000,000
Reclamation projects (4)	500,000
BASIC INDUSTRIES (5)	40,872,000
AGRICULTURE AND FISHERIES (6)	6,150,750
Total funds allocated	184,022,750
Reserve for urgent needs	65,977,250
Total funds assumed to be available	250,000,000

NOTES ON TABLE I

- (1) One half of the figures shown in Appendix "B" as imports for power industry, south of the Pisa-Rimini line.
- (2) South of Pisa-Rimini Line.
- (3) LaC Airgram 35 requisitioned a list of heavy engineering equipment for public works, for the area south of Naples. This

Power stations	75,500,000
Switching stations	30,000,000
Transmission	24,000,000
	<u>130,500,000</u>
PUBLIC WORKS (2)	
Heavy engineering equipment (3)	6,000,000
Reclamation projects (4)	<u>500,000</u>
	6,500,000
BASIC INDUSTRIES (5)	40,872,000
AGRICULTURE AND FISHERIES (6)	6,150,750
	<u>184,022,750</u>
Total funds allocated	65,977,250
Reserve for urgent needs	
	<u>250,000,000</u>

NOTES ON TABLE I

- (1) One half of the figures shown in Appendix "E" as imports for power industry, south of the Pisa-Rimini line.
- (2) South of Pisa-Rimini Line.
- (3) LAC Airgram 35 requisitioned a list of heavy engineering equipment for public works, for the area south of Naples. This requisition, which has never been approved by the Combined Chiefs of Staff as a military requirement, would cost roughly \$2,000,000. At least three times this quantity of equipment would be required for the entire southern area up to the Pisa-Rimini line—hence the estimate of \$6,000,000.
- (4) Mostly motors for pumping out former reclamation projects flooded by the Germans.
- (5) See Appendix "H". The area involved here is the Italian mainland south of the Tard line, plus Sicily and Sardinia.
- (6) See Appendix "G". In the case of agriculture, it is possible to predict the supply requirements with reasonable accuracy for all parts of the country. The figure for total Italy is therefore used in this summary statement.

APPENDIX A
Estimated Requirements
for Trucks and Related Supplies by Area

	Unit		South of P-R L.	North of P-R L.
Trucks (all sizes) (1)	No.	1,700 (2)	5,000 (2)	
Tires (3)	No.	22,108	44,216	
Tubes (3)	No.	23,390	46,780	
Batteries	No.	1,376	2,752	
Patching Kits	No. of kits	6,566	13,132	
Additional POL for new trucks (for six months)	Gals	40,800	120,000	

NOTES

- (1) As a result of changes made by AFHQ, the requisition which reached Washington (LAC Airmgram 51 of 20 August 1944) requested 1,700 trucks for the northern part of the country and no trucks whatever for the southern part. However, the figures shown here are still the best minimum estimate by ACC of the need for imported trucks. The 5,000 trucks for the north are currently under requisition to AFHQ.
- (2) 250 may be available from Peninsular Base Section, Italy and 250 from British Army sources.
- (3) In addition to the finished tires and tubes, a requisition has been submitted to AFHQ on 22 September 1944 for raw materials and supplies for the repairing and retreading of tires and tubes at the Rome and Bari plants for a six-month period beginning 1 October 1944 (Requisition No. ACC-WMG-35-45). More of these supplies will be needed.

APPENDIX B

Batteries	No.	1,376	2,752
Patching Kits	No. of Kits	6,566	13,132
Additional POL for new trucks (for six months)	Barls	40,600	120,000

NOTES

- (1) As a result of changes made by AFHQ, the requisition which reached Washington (LAC Airgram 51 of 20 August 1944) requested 1,700 trucks for the northern part of the country and no trucks whatever for the southern part. However, the figures shown here are still the best minimum estimate by ACC of the need for imported trucks. The 5,000 trucks for the north are currently under requisition to AFHQ.
- (2) 250 may be available from Peninsular Base Section, Italy and 250 from British Army sources.
- (3) In addition to the finished tires and tubes, a requisition has been submitted to AFHQ on 22 September 1944 for raw materials and supplies for the repairing and retreading of tires and tubes at the Rome and Bari plants for a six-month period beginning 1 October 1944 (Requisition No. ACC-ENG-35-45). More of these supplies will be needed.

APPENDIX E

542

List of Reference Numbers on Requisitions Already Submitted Through Military Channels for Items and Quantities Considered to Fall Within the Military Category of Civilian Supplies

Commodity or Industry	Reference Number MGS or ACC	LAC Airgram Number
Power Equipment and Parts	MGS- 63-ENG	
"	" - 83-ENG	
"	" - 85-ENG	
"	" - 88-ENG	
"	" - 104-ENG	
"	" - 151-ENG	
"	" - 177-ENG	
"	" - 191-ENG	
ACC-ENG-9-45		16
" - ENG-11-45		33
MGS-217-SIG		49
ACC-ENG-27-45		

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Cont'd: Appendix E.

Commodity or Industry	Reference Number MGS or ACC	LAG Airgram Number
Medical and Sanitation	MGS-221-MED	73
Clothing; Shoes and Textiles	MGS-132-QM	7 & 32
	" - 82-QM	185
	" - 141-QM	
	" - 92-QM	
	" - 122-QM	
	" - 161-QM	
Agricultural Supplies	MGS- 95-QM	
	" - 96-QM	
	" - 101-QM	
	" - 127-ENG	3
	" - 130-QM	
	" - 135-QM	
	" - 143-QM	
	" - 150-QM	340
	" - 160-QM	
	" - 193-ENG	
	" - 212-QM	50
	" - 213-QM	68
	" - 214-QM	69
		704
Supplies for Forestry	MGS-128-ENG	4
	" - ENG-26-45	
Mining Supplies, Coal	MGS- 51-ENG	
	" - 52-ENG	
	" - 69-ENG	
	" - 70-ENG	
	" - 81-ENG	
	" - 133-ENG	8
	" - 145-ENG	15
	" - 155-ENG	20
	" - 182-ENG	37
Sulphur	MGS - 73-ENG	

Agricultural Supplies

M75- 95-QM
 " - 96-QM
 " - 101-QM
 " - 127-ENG
 " - 130-QM
 " - 135-QM
 " - 141-QM
 " - 159-QM
 " - 180-QM
 " - 193-ENG
 " - 212-QM
 " - 213-QM
 " - 214-QM

3

340

50

68

69

704

Supplies for Forestry

MGS-128-ENG
 " -ENG-26-45

4

Mining Supplies, Coal

MGS- 51-ENG
 " - 52-ENG
 " - 69-ENG
 " - 70-ENG
 " - 81-ENG
 " - 133-ENG
 " - 145-ENG
 " - 155-ENG
 " - 182-ENG

8

15

20

37

Sulphur

MGS - 73-ENG
 " - 74-ENG
 " - 75-ENG
 " - 80-ORD
 " - 121-ENG
 " - 168-ORD
 " - 174-ORD
 " - 197-ENG
 " - 146-SIG
 " - 195-ENG
 " - 196-SIG

6

55

52

54

Essential Industrial Production Supplies:

Chemical Industry

MGS- 59-QM
 12-MISC-GEN-44
 ACC-ENG-31-45

Hemp Industry

MGS- 87-QM

16

Commodity or Industry	Reference Number MGS or ACC	LAC Airgram Number
Textile Industry	MGS-164-QM " -183-QM " -202-QM " -203-QM	25 38 59 60
Cigarette Industry	MGS-205-ENG	62
Printing Industry	MGS- 46-QM " -126-QM " -139-QM " -148-QM " -167-QM	330 29
Match Production	MGS-137-QM	
Soap Production	MGS- 89-QM " -186-QM " -192-QM	554 614
Paper: Newsprint	MGS-139-QM " -128-QM " -148-QM " -167-QM	330
Station Card Paper	MGS-129-QM	5
Paper for Banking	MGS-128-QM " -163-QM " -123-QM	34 24 2 & 31
Paper for School Books	MGS-124-QM " -209-QM	1 541
Export Trade (lamin wrapping paper, etc.)		

Watch Production	MGS-337-QM	
Soap Production	MGS-89-QM	554
	" -186-QM	614
	" -192-QM	
<u>Paper:</u>		
Newsprint	MGS-139-QM	330
	" -125-QM	
	" -148-QM	
	" -167-QM	
Button Card Paper	MGS-129-QM	5
Paper for Banking	MGS-128-QM	34
	" -163-QM	24
	" -123-QM	2 & 31
Paper for School Books	MGS-124-QM	1
	" -209-QM	541
Export Trade (lamin wrapping paper, etc.)		
	MGS-172-QM	383
	" -178-QM	26
	" -165-QM	71
	" -219-QM	
<u>Miscellaneous Supplies:</u>		
Flour Mills	ACC-ENG-33-45	
Candles	MGS-208-QM	65
Paper Bags	MGS-121-QM	209
	" -179-QM	12
	" -156-QM	

* An MGS number indicates that the requisition has been forwarded to Washington by AFHQ after screening. An ACC number indicates that AFHQ has either not yet completed its screening or has disapproved the requisition.

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Appendix C

TABLE 1. MAINLAND OF ITALY (1)
Estimated Import Subsistence Requirements
1 January to June 1945
(Metric Tons - Net)

Commodity	Jan.	Feb.	Mar.	Apr.	May	Jun.	Total
Wheat-North	87,000	150,000	159,000	159,000	159,000	159,000	882,000
Wheat-South	-	-	-	1,000	125,000	125,000	251,000
Total	87,000	150,000	159,000	160,000	284,000	284,000	1,133,000
Sugar-North	2,700	2,700	2,700	2,700	2,700	2,700	16,200
Sugar-South	4,260	4,260	4,260	4,260	4,260	4,260	27,360
Total	7,260	7,260	7,260	7,260	7,260	7,260	43,560
Milk, dry, skim North	475	475	475	475	475	475	2,850
Milk, ecc. South	3,520	3,520	3,520	3,520	3,520	3,520	21,120
Total	3,995	3,995	3,995	3,995	3,995	3,995	23,970
Vegs Dried-No. 14,610	14,610	14,610	14,610	14,610	14,610	14,610	87,660
Vegs Dried-S. 7,710	7,710	7,710	7,710	7,710	7,710	7,710	46,260
Total	22,320	22,320	22,320	22,320	22,320	22,320	133,920
Meat-North	1,830	1,830	1,830	1,830	1,830	1,830	10,980
Meat-South	1,530	1,530	1,530	1,530	1,530	1,530	9,180
Total	3,360	3,360	3,360	3,360	3,360	3,360	20,160
Fats - North	2,250	2,250	2,250	2,250	2,250	2,250	13,500
Total Mainland	125,185-198,185-198,185-198,185-198,185-198,185	125,185-198,185-198,185-198,185-198,185-198,185	125,185-198,185-198,185-198,185-198,185-198,185	125,185-198,185-198,185-198,185-198,185-198,185	125,185-198,185-198,185-198,185-198,185-198,185	125,185-198,185-198,185-198,185-198,185-198,185	1,362,110

(1) See Notes for basis of estimation

TABLE 2. SICILY AND SARDINIA (1)
Estimated Import Subsistence Requirements
1 January to 30 June 1945
(Metric Tons - Net)

Commodity	Jan.	Feb.	Mar.	Apr.	May	June.	Total
							539

Total	7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260	7,260
Milk, dry, skim	475	475	475	475	475	475	475	475	475
Milk, non-south	475	475	475	475	475	475	475	475	475
Total	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Vegs Dried-No. 14,610	14,610	14,610	14,610	14,610	14,610	14,610	14,610	14,610	14,610
Vegs Dried-South	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710	2,710
Total	22,320	22,320	22,320	22,320	22,320	22,320	22,320	22,320	22,320
Meat-North	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830
Meat-South	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530	1,530
Total	3,360	3,360	3,360	3,360	3,360	3,360	3,360	3,360	3,360
Fats - North	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Total Mainland	126,185	126,185	126,185	126,185	126,185	126,185	126,185	126,185	126,185

(1) See Notes for basis of estimates

TABLE 2. SICILY AND SARDINIA (1)
Estimated Import Substitution Requirements
1 January to 30 June 1945
(Metric Tons - 1945)

539

Commodity	Jan.	Feb.	Mar.	Apr.	May	June	Total
Wheat-Sicily	8,000	8,000	29,000	29,000	29,000	29,000	121,000
Wheat-Sardinia	8,000	8,000	8,000	8,000	8,000	8,000	48,000
Total	16,000	16,000	37,000	37,000	37,000	37,000	169,000
Sugar-Sicily	1,050	1,050	1,050	1,050	1,050	1,050	6,300
Sugar-Sardinia	300	300	300	300	300	300	1,800
Total	1,350	1,350	1,350	1,350	1,350	1,350	8,100
Vegs. Dried	325	325	325	325	325	325	1,950
Sardinia	14,675	14,675	14,675	14,675	14,675	14,675	88,013
Total	15,000	15,000	15,000	15,000	15,000	15,000	90,000

(1) See Notes for basis of estimates

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Cont'd: Appendix C.

Notes on Basis for Estimated Import Substitution Requirements for Italian Mainland, Sicily and Sardinia
1 January to 30 June 1942

WHEAT based on normal daily ration of 300 grams of bread (or the equivalent of 140 grams of flour) plus 12% for supplemental rations, with extraction rate for flour at 90% of wheat. Population to be fed calculated at 75% for south of Pisa-Rimini line and at 50% for north thereof based on our experience in south and Italian experience in north and south. Of estimated harvest of 2,036,000 metric tons, it is assumed that 1,412,000 will be consumed during 1944 leaving 624,000 metric tons to reduce indicated imports during 1945. (See wheat requirements for Italy dated 7 August 1944 and amendment thereto dated 6 September 1944.)

BARLEY based on monthly ration of 250 grams for 100% of population and assuming that mainland north of Pisa-Rimini line will be able to supply 50% of its own requirements. No sugar plants south of P-R line are presently operative.

MILK Dry - Skim - based on daily requirements of 500 grams of fluid milk for children under two years of age and 250 grams for children 2 to 12 years of age, excluding children of milk producers. Fluid supply for non-producers estimated at 40% of 1942 supply as result of experience in liberated areas not unduly affected by enemy action. One part dry skim milk plus one part fluid milk plus eight parts water treated as substitute for 10 parts fluid milk although caloric value is substantially less.

VEGETABLES DRIED Mainland North of P-R line is based on feeding 80% of population 28 grams per day. Mainland south of P-R line is based on feeding 50% of population 28 grams per day. Sicily based on LAC 18 of 3 May 1944.

MEAT based on feeding 10% of population 28 grams per day and is for use primarily in large urban areas.

FATS based on feeding at least 50% of population north of P-R line 7 grams per day.

GENERAL REQUIREMENTS for mainland north of P-R line are subject to curtailment of conditions justify after enemy withdrawal.

Population to be fed calculated at 75% for South of Pien-Hinini line and at 50% for north thereof based on our experience in South and Italian experience in North and South. Of estimated harvest of 2,036,000 metric tons, it is assumed that 1,412,000 will be consumed during 1944 leaving 624,000 metric tons to reduce indicated imports during 1945. (See "Wheat Requirements for Italy" dated 7 August 1944 and Amendment thereto dated 6 September 1944.)

SUGAR

based on monthly ration of 250 grams for 100% of population and assuming that mainland north of Pien-Hinini line will be able to supply 50% of its own requirements. No sugar plants south of P-R line are presently operable.

MILK

Dry - Skim - based on daily requirements of 500 grams of fluid milk for children under two years of age and 250 grams for children 2 to 12 years of age, excluding children of milk producers. Fluid supply for non-producers estimated at 40% of 1942 supply as result of experience in liberated areas not unduly affected by enemy action. One part dry skim milk plus one part fluid milk plus eight parts water treated as substitute for 10 parts fluid milk although caloric value is substantially less.

VEGETABLES DRIED

Mainland North of P-R line is based on feeding 80% of population 20 grams per day. Mainland south of P-R line is based on feeding 50% of population 20 grams per day. Sicily based on LAC 10 of 1 May 1944.

MEAT

based on feeding 10% of population 20 grams per day and is for use primarily in large urban areas.

Eggs

based on feeding at least 50% of population north of P-R line 7 grams per day.

GENERAL REQUIREMENTS for mainland north of P-R line are subject to curtailment of conditions justify after enemy withdrawal.

21 Sep 44.

APPENDIX D

TABLE D-1. APPROXIMATE ANNUAL REQUIRED FERTILIZER, PESTICIDES AND LIME REQUIREMENTS
(For Spring Use in 1945)

Departments	Ammonium Nitrate	Ureate of Pot.	Copper Sulphate	Copper Oxy-chloride	Zinc Phos.	Lead Ars.	Sod. Ars.	Orgo-lite	Tractor
Piemonte	16,500	7,500	4,400	1,195	-	45	1	6	110
Liguria	775	200	740	420	-	16	3	2	-
Lombardia	20,565	5,550	2,400	305	-	34	1	4	270
Veneto Tridentin	850	850	860	210	-	122	1	18	10
Veneto	11,265	3,450	1,002	320	-	65	2	9	190
Venezia Friuli e Beta	640	300	500	115	-	9	-	1	10
Emilia	16,100	1,600	8,420	600	0.5	99	10	14	320
Toscana	7,405	250	4,070	385	-	61	5	12	-
Marche	3,715	130	960	435	1.5	14	2	2	-
Umbria	1,760	150	750	115	-	17	-	-	-
Lazio	5,300	150	2,000	575	1.0	21	0	-	-
Abruzzi	2,870	50	1,090	150	-	17	-	-	-
Molise	210	-	-	-	-	-	-	-	-
Campania	7,145	350	2,670	235	1.0	108	4	5	750
Puglia	3,800	850	2,250	765	-	25	0	2	-
Basilicata	305	-	120	70	-	1	-	-	-
Calabria	1,500	50	200	125	-	8	-	1	-
Sicilia	5,425	750	460	520	-	16	2	3	-
Sardegna	550	-	130	125	-	2	1	1	-
Total	104,310	22,000	36,000	7,000	4.0	700	50	100	1,160

(1) First statements of requirements with necessary detail of specifications have been prepared and submitted through proper channels for requisition.

(2) Total for Regions I to VII, inclusive.

APPENDIX 'D'

ESTIMATED FERTILIZER, PESTICIDE AND OTHER AGRICULTURAL REQUIREMENTS FOR ALL T-14
(For Spring Use in 1945)

Tractor Fuel	Copper Sulfate	Copper Chloride	Di- Am.	Zinc Am.	Lead Am.	Sol. Am.	Di- Am.	Tractor Fuel	Flow Meters	Binders	Belts Co-	Trailers Lines
500	4,430	1,435	-	45	1	6	110	50	50	40	Estimated basic initial needs	
200	740	420	-	16	3	2	-	-	-	-		
150	2,480	365	-	34	1	5	270	120	105	50		
650	560	210	-	122	1	12	10	5	-	-		
450	3,300	320	-	65	2	3	190	130	30	50		
300	520	115	-	9	-	1	10	5	10	-		
600	4,420	605	0.5	97	11	14	320	150	45	100		
250	1,070	395	-	61	-	12	-	-	-	-		
150	960	435	1.5	14	2	2	-	-	-	-		
150	750	115	-	17	-	2	-	-	-	-		
150	2,030	575	1.0	21	6	3	-	-	-	-	(2) (2) (2) (2) (2) (2)	
50	1,030	140	-	17	-	2	-	-	-	-		
-	-	-	-	-	-	-	-	-	-	-		
350	2,470	805	1.0	108	4	15	750	500	1,000	50	100	50
650	2,250	765	-	25	4	4	-	-	-	-		
-	125	75	-	1	-	-	-	-	-	-		
50	200	125	-	8	-	1	-	-	-	-		
750	460	320	-	16	2	3	-	-	-	-		
-	150	325	-	2	1	1	-	-	-	-		
500	30,290	7,000	4.0	700	52	100	1,160	920	1,240	270		

Units of requirements with necessary details of specifications and justifications
prepared and submitted through proper channels for requisition purposes.

Sections I to VII, inclusive.

APPENDIX E

HEADQUARTERS
ALLIED CONTROL COMMISSION
Public Works and Utilities Sub-Commission
APO 394

AGC/100/PMG

5 Aug. 1944

SUBJECT: Estimate of one year's expenditure for Public Works Reconstruction.

TO : Vice President, Economic Section.

The attached estimate is a estimate of our design reconstruction program to cover the first year after the war.

2. The attached estimate is based on a known design estimate of the Plac-Rimini line in Italy, Sicily and Sardinia. The estimate for possible work to be done north of that line is predicated upon the theory that only a portion of that work would be changed to a similar extent in Central Italy; whereas, generally speaking, the balance would have a relatively limited amount of change.

3. The whole estimate has been prepared in lire using present construction costs of a basic price list war, then converted into dollars at the rate of 100 lire per dollar. Should the post-war rate of the lire be different a proportionate adjustment would have to be made in the dollar estimates presented herewith.

4. In discussion with officials of the Ministry of Public Works, who have from time to time been furnishing us with some of the basic data, we were given or understood that Italy plans to undertake an active program of reconstruction covering a period of several years. In that program it is naturally conceded that electrical plants must be largely rehabilitated during the first and second years with the construction probably made during the first year. Therefore, machinery which would be imported for these plants, and for water construction, will have to be considered during the first year, and included in the first year program. Likewise, machinery to rehabilitate existing portions of the ports of Italy, essential for the rehabilitation of international commerce, are also included in the first year's maintenance program. Similarly, highway reconstruction equipment which must be brought over at an early date to enable Italy to rebuild its highways so that highway transport may be given a relatively free flow, has also been included in the first year's program.

5. We have not only made an estimate of the cost of anticipated

Program - to cover the first year after the war.

2. The attached estimate is based on a heavy damage south of the piecemeal line in Italy, Sicily and Sardinia. The estimate for possible work to the north of that line is predicated upon the theory that only a portion of that zone would be damaged to a similar extent as Central Italy; whereas, generally speaking, the E. Line would have a relatively limited amount of damage.

3. The whole estimate has been prepared in line with present construction costs of a basic. These lines were then converted into dollars at the rate of 100 lire per dollar. Should the post-war rate of the lire be different a proportionate adjustment would have to be made in the dollar estimate presented herewith.

4. In discussion with officials of the Ministry of Public Works, who have from time to time been furnishing us with some of the basic data, we have given an understanding that Italy plans to undertake a massive program of reconstruction covering a period of several years.

In that program it is naturally conceded that electric plants must be largely rehabilitated during the first and second years with the understanding that probably more during the first year. Therefore, machinery which must be imported for these plants, and for which commitments will have to be made during the first year, are included in the first year program. Likewise, machinery to rehabilitate electric plants is included completely and also included in the first year's commitment program. Similarly, highway reconstruction equipment which must be brought over at an early date to enable Italy to rebuild its highways as that highway commerce may be given a relatively free flow, has also been included in the first year's program.

5. We have not only made an estimate of the cost of anticipated imports but we have also made a rough estimate of the possible cost to Italy in the way of a total import and export in connection with this reconstruction program so as to get an overall picture of the total cost to Italy for this work.

6. It should be brought out at this time that these estimates are based upon approximations and upon available data which in several respects are not complete, and for that reason these figures should be taken only as reflecting our best judgment at this time as to what this cost may possibly be.

L. A. JERRY
Lt. Colonel, C.E.
Director.

Cont'd: Appendix 5.

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HEADQUARTERS
UNITED STATES CONTROL COMMISSION
Public Works and Utilities Sub-Commission
APO 394

APPROXIMATE ESTIMATE OF THE EXPENDITURE FOR THE REPAIR OF WAR
DAMAGES THROUGHOUT ITALY RELATIVE TO THE WORKS LISTED BELOW

	S. of P-R Line		N. of P-R Line		Total (Million \$'a)	
	Local Cost	Import Cost	Local Cost	Import Cost	Local Cost	Import Cost
State Highways	6.45	2.20	4.85	1.50	11.30	3.70 (a)
State Hw Bridges	27.55	-	67.14	5.00	95.00	5.00 (a)
Other Highways	6.00	2.40	10.20	3.60	17.00	5.00 (a)
Other Hw Bridges	36.00	-	84.00	-	120.00	-
Buildings-Private	480.00	53.00	615.00	68.00	1095.00	121.00 (a)
Buildings-Public	85.70	7.30	85.95	9.55	151.55	16.85 (a)
Churches	0.55	0.35	0.45	0.05	0.90	0.10 (a)
Ports, incl. raising vessels	31.50	3.50	13.50	1.50	45.00	5.00 (a)
Reclaimed Lands (sanifone)	2.50	0.50	5.00	1.00	7.50	1.50
Water Control & Irrigation	1.35	0.15	2.75	0.25	4.10	0.40
Aqueducts, Sewers & Canals	5.00	1.60	12.00	3.00	17.00	4.60
Electrical-Power Stations	38.00	153.00	76.00	302.00	114.00	455.00
Electrical- Switching Stas.	15.50	60.00	30.50	120.00	46.00	180.00
Electrical- Transmission	12.00	48.00	24.00	96.00	36.00	144.00

<u>COST</u>	<u>Imports</u>	<u>Cost</u>	<u>Imports</u>	<u>Cost</u>	<u>Imports</u>	
State Highways	6.45	2.20	4.85	1.50	11.30	1.70 (a)
State Hvy Bridges	27.85	-	67.14	5.00	95.00	5.82 (b)
Other Highways	6.80	2.40	10.20	3.60	17.00	6.00 (c)
Other Hvy Bridges	36.00	-	84.00	-	120.00	-
Buildings-Private	420.00	53.00	615.00	68.00	1095.00	121.00 (d)
Buildings-Public	65.70	7.30	85.95	9.55	151.85	16.85 (e)
Churches	0.45	0.05	0.45	0.05	0.90	0.10 (f)
Ports, Incl. passing vessels	31.50	3.50	13.50	1.50	45.00	5.00 (g)
Reclaimed Lands (Pondichre)	2.50	0.50	5.00	1.00	7.50	1.50
Steam Control & Irrigation?	1.35	0.15	2.75	0.25	4.10	0.40
Acqueducts, Sewers & Canals	5.40	1.60	12.00	3.00	17.40	4.60
Electrical-Power Stations	38.00	153.00	76.00	302.00	114.00	455.00
Electrical- Switching Stns.	15.50	60.00	30.20	120.00	46.00	180.00
Electrical- Transmission	12.00	48.00	24.00	96.00	36.00	144.00
TOTAL	729.51	331.75	1031.34	611.25	1760.85	943.15
Grand Total -	1051.21		1642.79		2904.00	

- (a) 100 MILLIONS for Machinery and 270 MILLIONS for Equipment at \$3.00 a ton.
- (b) Imported steel shapes 50,000 tons at \$10.00 a ton.
- (c) 100 MILLIONS for Machinery and 500 MILLIONS for Equipment at \$3.00 a ton.
- (d) Estimated 10% of Total Cost for Steel and 1 labor.
- (e) Port Machinery.

785017

APPENDIX 1
 INDUSTRY LISTING OF A LIMITED
 LIABILITY COMPANY FOR 1954
 (See Notes below)

No.	Item	Quantity Required	Approximate Weight		Approximate Volume		Approximate Cost	
			1	2	1	2	1	2
1	Sulphur	1	9	9	0.3	0.3	\$ 6,000	\$ 6,000
	Hard	2	10	10	10	10	200,000	200,000
	Soft	2	14	14	2	2	40,000	40,000
	Iron	2	1	2	-	-	-	-
	Coal	1	15	30	0.4	0.8	6,000	16,000
2	Steel	1	5	10	4	2	20,000	40,000
3	Aluminum	2	10	20	15	30	300,000	600,000
4	Wood	1	40	200	40	600	1,000,000	12,600,000
5	Bricks	1	17	85	120	600	2,400,000	12,000,000
6	Concrete	2	3	18	15	90	300,000	1,800,000
7	Paints	4	23	115	4	20	80,000	400,000
8	Plaster	1	115	345	20	60	400,000	1,200,000
9	Gravel	1	1	3	-	-	-	-
10	Sand	1	0.7	4.1	-	-	-	-
11	Charcoal	0	2.5	1	3.5	7	70,000	1,400,000
12	Marble	1	0.05	0.1	2	4	40,000	80,000
13	Chemicals	1	4	20	1.9	4.5	10,000	90,000
	Carbon Disulphide	1	9	63	0.5	2.5	10,000	50,000
	Sulphuric Acid	1	0.9	4.5	0.5	2.5	10,000	50,000
	Hydrochloric Acid	1	1.5	7.5	-	-	-	-
	Copper Sulphate	1	0.3	1.5	0.25	1.25	5,000	25,000
14	Other Chemicals	2	3	25	3	25	100,000	500,000
	Electricity	252	252	252	252	252	55,857,000	253,000
	Water	252	1171	1171	252	252	55,857,000	31,347,000
	Gas	252	1171	1171	252	252	55,857,000	31,347,000

0400

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

APPENDIX *
 Industrial Facilities or a Building
 Rehabilitation Program FOR IT-1
 (See notes below)

REPAIRS TO BUILDING		REPAIRS TO EQUIPMENT		REPAIRS TO UTILITIES		REPAIRS TO OTHERS		ALL OTHER REPAIRS	
Area	Area	Area	Area	Area	Area	Area	Area	Area	Area
1	2	1	2	1	2	1	2	1	2
9	9	0.3	0.3	\$	6,000	\$	8,000	\$	250,000
10	10	10	10		200,000		200,000	\$	450,000
14	14	2	2		40,000		40,000		225,000
1	2	-	-		-		-		225,000
15	30	0.4	0.8		8,000		16,000		50,000
3	13	1	2		20,000		40,000		600,000
10	20	15	30		300,000		600,000		8,000,000
40	200	50	100		1,000,000		2,000,000		9,000,000
17	85	120	240		2,400,000		4,800,000		500,000
3	18	15	30		300,000		600,000		2,000,000
23	115	4	20		80,000		160,000		220,000
115	245	20	100		400,000		800,000		1,500,000
1	3	-	-		-		-		5,500,000
0.7	2.1	-	-		-		-		50,000
0.5	1	3.5	7		70,000		140,000		25,000
0.05	0.1	2	4		40,000		80,000		500,000
4	20	3.4	6.8		68,000		136,000		3,500,000
5	25	0.5	1		10,000		20,000		50,000
-	-	-	-		-		-		50,000
0.9	4.5	0.25	1.25		25,000		50,000		2,500,000
1.5	7.5	-	-		-		-		-
0.3	1.5	0.25	1.25		25,000		50,000		300,000
2	10	5	25		100,000		200,000		100,000
252	1260	2.5	12.5		50,000		100,000		1,000,000
252	1260	2.5	12.5		50,000		100,000		500,000
1174	5870	1504	7520		3008,000		6016,000		200,000
1174	5870	1504	7520		3008,000		6016,000		1,000,000
					5,857,000		11,714,000		35,015,000
					5,857,000		11,714,000		35,015,000
									1102,635,000
									1102,635,000

535

12

-16-

NOTE: (a) South of Termi " \$ 40,872,000 - 34-7000f
(b) All of Italy " \$ 133,982,000 (Total
(c) These figures reflect our best estimate from observations
and calculations of conditions as found south of Termi.
(d) All cost figures represent quantities over a 6 months period.

CHIEF IMPORTS REQUIRED

ITEM #1	-	Explosives, carbide, accessories Equipment & Misc. M.R.O. Mining supplies
" #2	-	Caustic Soda & Oils, M.R.O. & Equipment
" #3	-	Calumines, new machines, Misc. M.R.O. supplies
" #4	-	Sage & Misc. M.R.O. & Equipment
" #5	-	New Equipment & Motors Transformers, etc. & Misc.
" #6	-	M.R.O. supplies
" #7	-	New Equipment & Motors Transformers, etc. & Misc.
" #8	-	M.R.O. supplies
" #9	-	Reconstruction Equipment, M.R.O. supplies, Prospecting Rock & other chemicals
" #10	-	Machinery & M.R.O. supplies
" #11	-	M.R.O. supplies - new machines
" #12	-	New Equipment & M.R.O. supplies
" #13	-	New Equipment & M.R.O. supplies
" #14	-	Paint Reconstruction & M.R.O. supplies
" #15	-	Spray copper & M.R.O. supplies

Appendix G

MINIMUM REQUIREMENTS OF SUPPLIES FOR AGRICULTURAL
PRODUCTION, FORESTRY AND FORESTRY
IN ALL OF ITALY UP TO JUNE 30, 1945

These requirements are over and above those already requisitioned
and to be included in Category A. (see Appendix "B").

AGRICULTURE	Quantity	Unit	Total Value	
			South Italy	Italy
Fertilizers, insecticides, etc.	30	\$	750,000	\$1,500,000
50,000 tons Superphosphates	200	"	10,000	10,000
50 " Copper Cartons	150	"	3,000	3,000
20 " Zinc Phosphates		"		
200 " Spray Oil (134)		"		20,000

- #7 - M.R.O. supplies
 Raw Cotton, Reconstruction Machinery & Misc. M.R.O.
 supplies
 #8 - Reconstruction Equipment, M.R.O. supplies, Phosphates,
 Rock & other chemicals
 #9 - Machinery & M.R.O. supplies
 #10 - M.R.O. supplies - new machines
 #11 - New Equipment & M.R.O. supplies
 #12 - New Equipment & M.R.O. supplies
 #13 - Plant Reconstruction & M.R.O. supplies
 #14 - Sorey copper & M.R.O. supplies.

Appendix G

MINIMUM REQUIREMENTS OF SUPPLIES FOR AGRICULTURAL
 PRODUCTION, FORESTRY AND FORESTRY
 IN ALL OF ITALY UP TO JUNE 30, 1945

These requirements are over and above those already requisitioned
 and are included in Category A (see Appendix "B").

	Qty Unit Value	South P-8 Line	Total Value North Italy Italy	All Italy
AGRICULTURE				
Fertilizers, Insecticides, etc.				
50,000 tons Superphosphate	30	\$ 750,000	\$ 750,000	\$1,500,000
50 " Copper Carbonate	200		10,000	10,000
20 " Zinc Phosphate	150		3,000	3,000
200 " Spray Oil (33% Ammoniac Emulsion, Velox type)	100	\$ 13,000	\$ 5,000	\$ 18,000
		\$ 753,000	\$ 758,000	\$1,513,000
AGRICULTURAL RECONSTRUCTION				
1,150 tractors, 12 ton (of which 1,110 steel wheels and 40 rubber wheels)	5	\$ 1,000	\$ 800,000	\$1,150,000
100 Combines	1,000		100,000	100,000
200 Balers (ball driven, F14)	300	27,000	60,000	87,000
1,240 Binders	225		279,000	279,000
950 Plows	150	44,000	106,000	144,000
50 Tractors (rubber wheels)	150	\$ 1,750	\$ 3,750	\$ 5,500
		\$ 1,750	\$ 1,342,750	\$ 1,344,500

(cont'd on page 17)

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Cont'd: Appendix G.

US Unit Value	South P-R Line	Total Value North Italy	All Italy
2000 * horsehoes (already avail- ble at US Port)	43,475	134,275	177,750
400 Trucks, 1 1/2 ton, 1 wheel	300,000	300,000	600,000
500 tons Blower, Piling		300,000	300,000
200 * horsehoes (already avail- ble at US Port)	7,500	60,000	67,500
100 Shares (for oyster)		7,500	15,000
5000 parts for these 100 Trucks	50,000	100,000	150,000
Total - Agriculture	15,000	35,000	50,000
	850,725	2,179,525	3,030,250
	\$1,615,725	\$2,947,525	\$4,563,250

FISHING INDUSTRYMotors

20 Marine Motors, Diesel Internal Combustion Reduction gear, 25 HP @ 4,000 S	100,000	100,000	200,000
75 Marine Motors, Diesel Internal Combustion Reduction gear, 100 HP	168,750	168,750	337,500
25 Marine Motors, Diesel Internal Combustion with reduction gear from 150 HP to 250 HP	125,000	125,000	250,000
100 Marine Motors, Diesel Internal Combustion fast 2000, from 8 HP to 30 HP	75,000	75,000	150,000
	468,750	468,750	937,500

Machinery to Manufacture Nets

40 Units to repair nets			
7000 size fishing nets	125,000	125,000	250,000

Refrigeration

20 Units for installation on fishing vessels (20 to 60 tons) for the			
--	--	--	--

Total - Agriculture \$1,615,725 \$2,947,725 \$4,563,450

FISHING INDUSTRYMotors

20 Marine Motors, Diesel Internal Combustion Reduction gear, 80 HP @ 4,000 R	\$ 100,000	\$ 100,000	\$ 200,000
75 Marine Motors, Diesel Internal Combustion Reduction gear, 100 HP @ 4,500 R	168,750	168,750	337,500
25 Marine Motors, Diesel Internal Combustion with reduction gear from 150 HP to 250 HP	125,000	125,000	352,000
100 Marine Motors, Diesel Internal Combustion fast type, 5700 R HP to 30 HP	1,500	75,000	150,000
		<u>288,750</u>	<u>937,500</u>

Refrigeration

40 Units to maintain cold
various size fishing nets

Refrigeration

20 Units for installation on
various fishing vessels
(4 to 60 tons) for the
refrigeration of birds
carrying fresh fish

Canning

2,500 Units for Canning (size 20)	75,000	75,000	150,000
2,500 " " " " " ICL)			
2,500 " " " " " IC)			
Total - 3 units	\$ 75,000	\$ 75,000	\$ 150,000

Forestry

Present requirements for Forestry
are expected to be sufficient until
more specific needs in Northern
Italy are known.

GRAND TOTAL - AGRICULTURE, }
FISHING & }
FORESTRY }

none

\$2,947,725	\$3,741,275	\$5,150,750
-------------	-------------	-------------

Ref: 4001/10/003.

31st October, 1944.

SUBJECT: "The New Deal for Italy".

TO : DGCS, Economic Section.

1. I attach herewith minutes of a conference held in Rome on 26 October at which you were present, copy of Mr. Macmillan's paper entitled "The New Deal for Italy", minutes of the meeting held at the Resident Minister's office on October 23, and copy of telegram which it was proposed should be sent by SACRED to the CGS.

2. The A/CG directs that immediate action should be taken on the lines of 3(a) of the minutes of 26 October as amplified by the discussion recorded at the meeting on 23 October.

3. Section II(A) of Mr. Macmillan's paper indicates the form which the programme should take and you should take immediate steps to prepare (a) requisitions under the disease and unrest formulae, and (b) a general programme for industrial first aid. This latter programme should be drawn up as rapidly as possible in consultation with the Italian Government. It will be impossible to conceal from them the figure of 200 million dollars indicated as available but this should be proposed to them merely as a target figure and no commitment of any kind should be made that the sum will be forthcoming.

4. The A/CG will be glad to know how you propose to set about this programme at the first opportunity.

M. S. USH

MSL/PL.

Brigadier,
GHS 533 Staff.

Big. hush -

10A.

I assume - you will follow through with Antolini to implement para 4 of the memo. of minutes of the conference held at Rome on October 26, issued by G-5 on October 27 - copy attached which please return.

Done
A/KC

$\frac{30}{10}$

532

CONF.~~SECRET~~

ALLIED FORCE HEADQUARTERS

CEL-H/shs

G-5 SECTION

APO 512

October 27 1944

ECONOMIC AND SUPPLY PROBLEMS OF ITALY
MINUTES OF A CONFERENCE HELD IN ROME ON 26 OCTOBER 1944.

1. Present:

Hon. Harold Macmillan
 Sir Anthony Rumbold
 Hon. Alexander Kirk
 Mr. Offis

Gen. G. Clark, CAO, AFHQ
 Colonel Lewin-Harris, G-5.
 Lt. Col. Goodbody, AFHQ

Commodore Stone }
 Brigadier Lush } AOC
 Mr. Antolini }

2. The meeting had before them:

- (a) Minutes of a meeting held at the Resident Minister's office at Caserta on 23rd of October. — 3
- (b) some papers drafted by Mr. Mitchell and Mr. Harris, for the Resident Minister.
- (c) a paper entitled "The New Deal for Italy" (Civil Supplies), by Mr. Macmillan. — 6
- (d) a draft telegram prepared by Mr. Macmillan for despatch by SACMED to the Combined Chiefs of Staff, after discussion with Mr. Macmillan.

3. After some discussion, during which Mr. Macmillan stressed the importance of having a plan in readiness should the policy recommended by SACMED be approved, it was agreed that the following recommendations should be made to SACMED:

- (a) That he should issue to G-5 AFHQ and to AOC a directive on the lines of the Resident Minister's draft paper "The New Deal for Italy", with instructions that they should work these out in the closest co-operation (See 2c above).
- (b) That the Resident Minister should discuss with SACMED the despatch of a personal telegram on the lines of the Resident Minister's draft (see 2d above).
- (c) That the last sentence of para 1(a) of the Resident Minister's paper (see 2c above) should be amended to read "This arrangement will continue so long as Italy is a Theatre of, or Base for, military operations, and for a period of six (6) months thereafter".
- (d) That an amendment to the same effect as 3c above be made to para 3 of the draft telegram (see 2d above).

4. That in the meantime, the AOC should prepare without delay a programme on the lines of the Resident Minister's paper (see 2c above).

(Sgd) C.E. LEWIN-HARRIS, Colonel,
 Deputy Asst. Chief of Staff, G-5.

DISTRIBUTION:

CAO
 British Res Min
 US Political Adviser
 AOC
 G-5 AFHQ

531

8
COPY.

THE NEW DEAL FOR ITALY.

CIVIL SUPPLIES.

Section I.

SAC has received no instructions from the Combined Chiefs of Staff.

But he proposes to make the following assumptions, based upon a reasonable interpretation of the declarations of the President and the Prime Minister.

(a) Imports for civilian needs of consumption goods and certain durable and capital goods will continue to be provided and financed as heretofore, by the military authorities. The "disease and unrest" formula will still apply; but it will be interpreted more generously so as to provide for the proper needs of the population. These will include a uniform bread ration of 500 grams, essential clothing, trucks, mobile power units and many miscellaneous items.

This arrangement will continue so long as Italy is a Theatre of, or Base for, military operations, and for a period of six months thereafter.

(b) In addition to supplies requisitioned under (a), there will be a further programme of "industrial first-aid". For planning purposes this programme will be regarded as of the order of 200-250 million dollars to be spent over a period of twelve months in presently liberated Italy.

Section II.

In order to make as rapid progress as possible, SAC will direct as follows:-

- A. (i) G-5 will forward to C.O.S. any requisitions from A.C. received since August 1st but not already forwarded to Washington. These ⁵³⁰ will be modified as little as possible. The generous interpretation of the "disease and unrest" formula mentioned in I(a) will be observed.
- (ii) G-5 will review all requisitions received since August 1st which have

essential clothing, trucks, mobile power units and many miscellaneous items.

This arrangement will continue so long as Italy is a Theatre of, or Base for, military operations, and for a period of six months thereafter.

(b) In addition to supplies requisitioned under (a), there will be a further programme of "Industrial First-aid". For planning purposes this programme will be regarded as of the order of 200-250 million dollars to be spent over a period of twelve months in presently liberated Italy.

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- (ii) G-5 will review all requisitions received since August 1st which have already been forwarded to C.O.S. and, in the light of the new interpretation, supplementary requisitions if necessary will be despatched.
- (iii) A.C. will examine all the requisitions which they sent to G-5 A.E.H.Q. before August 1st. Should any of these not have been forwarded in full by A.E.H.Q. immediate consideration should be given as to whether supplementary requisitions should not be filed in the light of I(a).
- B. (1) In accordance with Section I(b), SAC will instruct A.C. to draw up a definite programme of Industrial First-aid. He understands that a tentative programme has already been compiled. In drawing up this programme it is important ~~that~~ to aim at a balance between power and ~~other~~ industrial facilities

-2-

7

A calculation can now be made of the amount of indigenous power likely to come into operation during the next six months out of the repair of existing Italian plants. Machine tools and industrial supplies generally should be ordered which can be operated with this source of power. The remainder of the programme should include both hydro-electric generating equipment and industrial supplies to be used by that equipment when ready. It is a matter for study in what proportion the expenditure on these two items should be. The Programme will naturally have to be modified from time to time in accordance with the world supply situation.

(ii) A.C. will consult as they think fit the appropriate Italian authorities and secure Italian co-operation in preparing the programme, particularly with regard to priorities. Care should be taken to explain to the Italians the preliminary character of the planning and that there is no ~~absolute~~ guarantee either as regards the provision of supplies or of finance. The figure of 250,000,000 dollars should not be mentioned to the Italians and should only be taken by A.C. as giving a general guide to the size of the programme.

C. Experience has shown that "progress officers" are required to ensure the placing and filling of requisitions, whether placed under A or B above. A.F.H.A. will therefore arrange with A.C. to send an appropriate small team to Washington for this purpose. It would be a great advantage if one or more of them were familiar not only with the civilian requirements of Italy but with the working of the supply organizations at Washington. The latter could perhaps be found in Washington and attached to the team.

D. A telegram will be sent to the Combined Chiefs of Staff informing them of the action which SAC has taken - draft attached.

expenditure on these two items should be. The Programme will naturally have to be modified from time to time in accordance with the world supply situation.

(11) A.C. will consult as they think fit the appropriate Italian authorities and secure Italian co-operation in preparing the programme, particularly with regard to priorities. Care should be taken to explain to the Italians the preliminary character of the planning and that there is no ~~minimum~~ guarantee either as regards the provision of supplies or of finance. The figure of 250,000,000 dollars should not be mentioned to the Italians and should only be taken by A.C. as giving a general guide to the size of the programme.

C. Experience has shown that "programme officers" are required to ensure the placing and filling of requisitions, whether placed under A or B above. A.P.H.Q. will therefore arrange with A.C. to send an appropriate small team to Washington for this purpose. It would be a great advantage if one or more of them were familiar not only with the civilian requirements of Italy but with the working of the supply organisations at Washington. The latter could perhaps be found in Washington and attached to the team.

D. A telegram will be sent to the Combined Chiefs of Staff informing them of the action which SAC has taken - draft attached.

Office of the Resident Minister,
Central Mediterranean.

529

25th October 1944.

COPY.

ANNEX A.

6

A. (1) General Wilson should instruct G-5 to forward to Washington those requisitions received from the A.C.C. since August 1st which G-5 have not already acted upon, modifying them as little as possible and using a generous interpretation of the disease and unrest formula.

(44) He should instruct G-5 to review in the same light all requisitions received from the A.C.C. since August 1st which have been the subject of action, and forward supplementary requisitions if necessary.

(44) He should instruct the A.C.C. to review all requisitions forwarded to G-5 before August 1st and in respect of such of them as have not been forwarded ~~transmitted~~ in full by A.F.H.Q. consider whether supplementary requisitions should not be filed to accord with a more generous interpretation of the disease and unrest formula.

B. He should acknowledge the receipt from the A.C.C. of a tentative programme of industrial first-aid covering items outside the scope of the more generous interpretation of the disease and unrest formula to the value of 200 to 250 million dollars to be spent over a period of twelve months, in that part of Italy south of the Pisa-Rimini line. He should instruct them to draw up a definite programme of this kind.

Such a definite programme should aim at a balance between power and industrial facilities so that it does not at any time leave power facilities unused in Italy south of the Pisa-Rimini line and includes no supplies which cannot be properly used owing to lack of power facilities or transport.

The indigenous power situation may be so limited that a decision should be taken at once as to whether to include hydro-electric generating equipment in the programme. Consideration should in that case be given to the advisability of reserving some of the money for the purchase of the industrial supplies needed by the

before August 1st and in respect of such of them as have not been forwarded should be forwarded in full by A.F.N.Q. consider whether supplementary requisitions should not be filed to accord with a more generous interpretation of the disease and unrest formula.

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The indigenous power situation may be so limited that a decision should be taken at once as to whether to include hydro-electric generating equipment in the programme. Consideration should in that case be given to the advisability of reserving some of the money for the purchase of the industrial supplies needed by the factories which would ultimately utilise such additional power when installed.

As succeeding phases of the definite programme are completed, **528** A.C.C. should proceed with the preparation of the necessary requisitions even though it is not yet certain that such a programme can be realised.

In preparing this programme of industrial first aid, General Wilson should authorise the A.C.C. to consult the appropriate Italian authorities at whatever time seems to them most fit and to secure Italian co-operation in the task. In particular, the A.C.C. should ask the Italian authorities to indicate the priorities in which they consider that industrial plants should be repaired. They should not, however, allow the Italian authorities to receive the impression that the preparation of a programme

should not be filed to accord with a more generous interpretation of the disease and unrest formula.

P. He should acknowledge the receipt from the A.C.C. of a tentative programme of industrial first-aid covering items outside the scope of the more generous interpretation of the disease and unrest formula to the value of 200 to 250 million dollars to be spent over a period of twelve months, in that part of Italy south of the Pisa-Rimini line. He should instruct them to draw up a definite programme of this kind.

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As succeeding phases of the definite programme are completed, 528 C.C. should proceed with the preparation of the necessary requisitions even though it is not yet certain that such a programme can be realised.

In preparing this programme of industrial first aid, General Wilson should authorise the A.C.C. to consult the appropriate Italian authorities at whatever time seems to them most fit and to secure Italian co-operation in the task. In particular, the A.C.C. should ask the Italian authorities to indicate the priorities in which they consider that industrial plants should be repaired. They should not, however, allow the Italian authorities to receive the impression that the preparation of a programme

-2-

at this stage implied any admission either as regards the supplies themselves or the provision of finances for them. In no case should any figure be mentioned to the Italian authorities and the figure of 200 to 250 million dollars referred to above should anyhow only be taken by the A.C.C. as indicating the size of the programme for which they should plan.

C. General Wilson should send a signal to the C.C.S. making the following

points:-

- (1) The President and Prime Minister have made a number of statements recently upon which General Wilson has as yet received no guidance other than in the phrase of a telegram received by Mr. Kirk from the State Department dated October 18th and communicated by Mr. Kirk to the A.C.C. in which reference was made to "the possibility of the continuance for some months of procurement by the U.S. Army of items of basic relief" together with an indication that in addition there was contemplated a method of financing supplementary supplies with respect to which no responsibility would be assumed by the U.S. Army.
- (2) The joint statement of September 26th contemplated that "first steps should be taken toward the reconstruction of an Italian economy", primarily for military reasons, including in particular, mention of assistance to the Italians in the restoration of power systems, railways, etc. The statement also contained a reference to the relief of hunger. General Wilson interprets this statement as meaning that the disease and unrest ~~form~~ formula should henceforth be given a more liberal interpretation than has been the practice till now.
- (3) In his statement of October 10th the President indicated that funds would be made available for the purchase in the U.S. of essential civilian supplies over and above those to be furnished for military purposes.

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(3) In his statement of October 10th the President indicated that funds would be made available for the purchase in the U.S. of essential civilian supplies over and above those to be furnished for military purposes.

(4) He has therefore arranged for current requisitions for civilian supplies to be reviewed and in addition has asked A.C.C. to draw up a program of industrial first aid to conform with the President's suggestion of a supplementary program in his statement of October 10th.

(5) Obviously the ^{ul}formation of any civilian supply program is predicated on the provision of the necessary finance. He must therefore ask for an assurance that so long as Italy is a base of operations and for some months thereafter finance will continue to be provided for those civilian supplies which are required for military reasons, apart from those funds referred to in the President's statement of October 10th.

-3-

(6) In order to facilitate the consideration of requisitions filed with the C.C.S. he is proposing to send to Washington a small party of officers who are familiar with the civilian requirements of Italy.

Minutes of a meeting held in the Resident Minister's
Office at Caserta at 10:15 A.M. on October 23rd 1944.

Present:

Rt. Hon. Harold Macmillan
Mr. Marris
Sir Anthony Rumbold
Mr. Hardman
Hon. Alexander Kirk
Mr. Mitchell
Mr. Offie
Mr. Jackson

Mr. MACMILLAN invited Mr. MITCHELL to describe his visit to the ACC
at Rome.

Mr. MITCHELL said he felt that the visit which he and Mr. JACKSON, Mr. MARRIS and Mr. HARDMAN had paid to Rome had been of real value and would greatly assist in the understanding in Washington and London of the problems of the ACC. On arrival in Rome Mr. MITCHELL said that they had found that the ACC had not prepared, as Departments in Washington and London had understood that the ACC had been doing, a comprehensive 13 months import programme from September 1st 1944 to October 31st 1945, covering the estimated Italian civilian needs for the supplies falling within the existing "disease and unrest" directives, together with a list of the elementary needs of the Italian economy for some industrial supplies of a sort not covered by this directive. The ACC had confined themselves to putting forward their requisitions periodically in accordance with normal practice and in accordance with the instructions which they had received.

After some discussion of the matter with Comodore STONE and Brigadier LUSH, the head of the Political Section and the Acting head of the Economic Section, it had been agreed that during Mr. MITCHELL and Mr. MARRIS's visit to ACC, the ACC would attempt to prepare a 12 months programme for such industrial supplies up to an arbitrary figure of dollars 250,000,000. Mr. MITCHELL said that an attempt, and a very good attempt, to prepare such a programme had been made, but in the short time available it had not been possible for the Economic Section of the ACC to do much more than to indicate in general terms the type of supplies on which, in the opinion of the Economic Section, it was desirable to spend such a sum. It had not been possible to draw up detailed requisitions which would be necessary if procurement was to be ~~proceeded with~~ proceeded with. Comodore STONE had agreed, however, to proceed with this necessary task, and meanwhile had suggested that copies of the general statement should be forwarded by the ACC to AFHQ with the object, if the approval of AFHQ were obtained, of copies of this document being taken back to Washington and London by himself and Mr. MARRIS as an indication of the sort of supplies, beyond those covered by the "disease and unrest standard", which the ACC would like to secure. Provided AFHQ agreed detailed requisitions

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Mr. MITCHELL added that whilst the work of compiling this general statement was being done by the ACC, Commodore STONE had received ^{3.15pm} Mr. KIRK, a paraphrase of a telegram dated October 18th from the Department of State in which it was stated that "the date on which the U.S. Army will relinquish its responsibility for procurement" had not yet been decided upon, and in which it was further indicated that there was a possibility that procurement by the U.S. Army of "basic commodities" might continue "for some months". The same telegram went on to indicate, however, that there was also in contemplation by the U.S. Government a method of financing supplies supplementary to those to be furnished by the U.S. Army and for which the U.S. Army would have no financial responsibility. Mr. MARRIS said that in view of the fact that this telegram appeared to cast doubt on the length of time for which the U.S. Army would continue to finance the U.S. share of the basic supplies to be provided, Commodore STONE had felt it immediately necessary to request Mr. Kirk to telegraph to the State Department to ask them to enquire of the Combine Chiefs of Staff and for the latter to inform AFHQ for how long the U.S.

War Department would strive to finance such items, " to point out that the absence of certainty on this point made it impossible for the AOC to know how and when to plan to use, for the purpose of requiring supplementary supplies, the funds released by the President in his statement of October 10th.

MR. KIRK said that a telegram making these points had been sent by the U. S. Embassy to the State Department.

Some discussion of the nature of the general statement submitted by the AOC to AFHQ for transmission to Washington and London by Messrs. MITCHELL and MARRIS then followed. Mr. MITCHELL pointed out that whilst this statement was useful in that it indicated the type of industrial supplies which the AOC considered it needed, it was defective in one respect in that it did not relate what was required in the way of supplementary supplies to the existing power capacity of South and Central Italy and the capacity likely to become available in that area in the first three months of 1945 as a result of the extensive repair work now being done by the Italians, if a true import programme of supplementary industrial supplies was to be prepared it must be related both to the power that would shortly become available, and must also take into account the possibility of the need to expend some part of the theoretical dollars 250,000,000 on the purchase of additional hydro-electric generating capacity.

Some further general discussion then followed and it was agreed that in the absence of instructions from the CCS as to the manner in which the joint statement of September 26th and the President's statement of October 10th should be interpreted, the position urgently required that planning should, nevertheless proceed, because (a) it was impossible for General Wilson to carry out his responsibility as Supreme Allied Commander-in-Chief Mediterranean and as President of the AOC unless he could count upon the receipt of the civilian supplies necessary for the conduct of military operations in Italy, (b) because it was equally impossible for AOC to plan the use, for the purchase of supplementary supplies of the funds to be released to the Italian Government by the President's statement of October 10th.

IT WAS THEREFORE AGREED, and Mr. MACMILLAN asked, that there be prepared for discussion with General SPOTFORD on his return:

- a) draft instructions from General Wilson to the G-5 Branch of A.P.H.Q. as to the manner in which the existing desecase and unrest directive of the CCS should be interpreted in the light of the joint statement of September 26th.
- b) Complimentary instructions to the AOC on the lines of (a) above, and also instructions to prepare a supplementary programme.
- c) A draft telegram from General Wilson to the CCS informing them:

likely to become available in that area in the first three months of 1944 as a result of the extensive repair work now being done by the Italians, if a true import programme of supplementary industrial supplies was to be prepared it must be related both to the power that would shortly become available, and must also take into account the possibility of the need to expend some part of the theoretical dollars 250,000,000 on the purchase of additional hydro-electric generating capacity.

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- a) draft instructions from General Wilson to the G-5 Branch of A.F.H.Q. as to the manner in which the existing despatch and unrest directive of the CCS should be interpreted in the light of the joint statement of September 26th.
- b) Complimentary instructions to the ACC on the lines of (a) above, and also instructions to prepare a supplementary programme.
- c) A draft telegram from General Wilson to the CCS informing them:

(1) of the difficulties in which AFHQ and ACC found themselves in the absence of instructions about the statement of the President ²⁴ of the Prime Minister.

(ii) of the action he was taking under (a) and (b) above, and

(iii) stating that he desired immediate assurance from the Combined Chiefs of Staff that so long as Italy should remain a base of military operations and for a few months thereafter, the basic supply items required by the civilian population of Italy would be forthcoming.

There is attached to this record a recital of the action to be taken.

24th October 1944.

DRAFT TELEGRAM

From : General Wilson
To : Combined Chiefs of Staff
Subject : Civilian Supplies for Italy.

In view of the public statements of the President and of the Prime Minister, I am proposing to take the following steps:

(1) I am arranging for all current requisitions for civilian supplies to be reviewed on two assumptions; first, that they will be provided and financed as heretofore by the military authorities; secondly, that they would be framed upon a more generous interpretation of the "disease and unrest" formula.

(2) In conformity with the joint statement of September 26th and the President's statement of October 10th, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

(3) I am assuming that the necessary finance for (1) will be provided so long as Italy is a theatre of military operations and for a period of six months thereafter.

(4) For planning purposes for (2) I am assuming an expenditure commensurate with the sources of new finance outside military responsibility mentioned in the President's statement, to be spent over a period of twelve months.

(5) In order to facilitate placing and filling of requisitions of both programmes, I am proposing to send a small number of progress officers to be permanently stationed in Washington.

I make a strong personal plea for your approval of my action. Official

rest" formula.

(2) In conformity with the joint statement of September 26th and the President's statement of October 10th, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

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(5) In order to facilitate placing and filling of requisitions of both programmes, I am proposing to send a small number of progress officers to be permanently stationed in Washington.

I make a strong personal plea for your approval of my action. Official statements by the Heads of the United States and British Government have raised high hopes in Italy. As the officer charged with the conduct of military operations in that country and responsible for securing the utmost cooperation of its inhabitants, I felt that I could take no other course.

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The following memorandum on Food Ration Scales in Italy has been prepared at the request of Mr. Sydney Mitchell and Mr. A.D. Marrie of the Combined Civil Affairs Committee.

Copy No. 5

Dist

- Copy 1. Mr. Sydney Mitchell
- 2. Mr. A.D. Marrie
- 3. Mr. Harden
- 4. Political Section ADC
- 5. File

HEADQUARTERS
ALLIED CONTROL COMMISSION
CMF

Ref : 4307/008.

21 October 1944.

MEMORANDUMFOOD RATION SCALES IN ITALY

1. The 300 grams bread ration is in the opinion of this Commission the irreducible minimum and any scale below that figure, except for short periods in operational areas, is contrary to Allied military and political interests and announced aims. Indeed as recently as September 26 President Roosevelt and Mr. Churchill in a joint declaration laid down that "first and immediate considerations in Italy are the relief of hunger and sickness and fear".

2. In stating our reasons for this opinion it must be remembered that Italy is fundamentally a bread-eating country and that flour, in one form and another must always be the basic ration together with sugar, and that other commodities are ancillary thereto. These reasons are four (a) medical, (b) control of Black Market, (c) maintenance of law and order and (d) grain collection campaign.

3. Medical. If the ration is not maintained at a minimum of a 300 gram bread ration the health of the nation will in our opinion be permanently impaired. The present scale of 300 grams of bread and 4.15 grams of sugar which is the ration in the south of Italy produces only a calorific content of 763 calories. This is supplemented in urban districts of over 50,000 inhabitants by meat and vegetables producing an additional calorific value of 143 calories, making a total of 906 calories. The Health Committee of the League of Nations in 1936 advised that the daily average calorific intake for a man or woman living in a temperate climate and not engaged in manual labour should be 2,400 calories per day, and if engaged on moderate muscular work an additional 600 calories per day should be allowed. Furthermore a medical manual of the U.S. Army states that the calorific requirement of a soldier is approximately 3,000 calories per day. As an interesting example of the inadequacy of this ration it may be mentioned that although inmates of prisons receive double the sugar ration (8.3 grams per day) many cases of malnutrition have occurred and are occurring. If the 300 grams ration is not established and maintained, the Commission is of the opinion that the calorific intake would be so low that even a "prevention of disease" standard would not be achieved. In view of the joint declaration of 26 September, quoted above, it is clear that failure to achieve this standard would be contrary to announced policy.

4. Control of Black Market. A large section of the populace in fact make up its rations by purchases on the Black Market. Every effort is made by law enforcement, by road blocks and other measures to reduce the Black Market to a minimum, but there can be no doubt that the Black Market at the present is of very large dimensions and it will so remain. All that can be done is to limit its extent and from 519 to 300 grams throughout Italy will have this effect. By way of

2. In stating our reasons for this opinion it must be remembered that Italy is fundamentally a bread-eating country and that flour, in one form and another must always be the basic ration together with sugar, and that other commodities are ancillary thereto. These reasons are four (a) medical, (b) control of Black Market, (c) maintenance of law and order and (d) grain collection campaign.

3. Medical. If the ration is not maintained at a minimum of a 300 gram bread ration the health of the nation will in our opinion be permanently impaired. The present scale of 300 grams of bread and 4.45 grams of sugar which is the ration in the south of Italy produces only a calorific content of 763 calories. This is supplemented in urban districts of over 50,000 inhabitants by meat and vegetables producing an additional calorific value of 143 calories, making a total of 906 calories. The Health Committee of the League of Nations in 1936 advised that the daily average calorific intake for a man or woman living in a temperate climate and not engaged in manual labour should be 2,400 calories per day, and if engaged on moderate muscular work an additional 600 calories per day should be allowed. Furthermore a medical manual of the U.S. Army states that the calorific requirement of a soldier is approximately 3000 calories per day. As an interesting example of the inadequacy of this ration it may be mentioned that although inmates of prisons receive double the sugar ration (3.3 grams per day) many cases of malnutrition have occurred and are occurring. If the 300 grams ration is not established and maintained, the Commission is of the opinion that the calorific intake would be so low that even a "prevention of disease" standard would not be achieved. In view of the joint declaration of 26 September, quoted above, it is clear that failure to achieve this standard would be contrary to announced policy.

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It must not be overlooked that one of the serious effects of a large Black Market is that the poorer classes of many of the civil servants are forced to sell their furniture and possessions and to lend their daughters to prostitution in order to pay for food on the Black Market. Apart from its effect on law and order (see below) its effect on the V.D. rate amongst Allied troops is considerable.

5. Maintenance of Law and Order. It is the opinion of this Commission that the maintenance of law and order cannot be assured unless a minimum ration of 300 grams is maintained throughout liberated Italy. With an uncontrolled Black Market and a wholly inadequate bread ration, dissatisfaction, riots and industrial unrest generally are to be expected in many of the more important centres this winter. Such a situation must seriously effect the Allied war effort in Italy. A copy of a signal dated 19 October to General Alexander from General Mark Clark on the food situation in the Fifth Army area is attached.

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6. Nor can the political effect be overlooked. Rightly or wrongly the government is blamed at present for the failure to produce food and if it cannot be established on a uniform basis at a level of (about) 300 grams it is to be feared that the consequential social unrest may well affect the stability of the Government. In present circumstances this would be undesirable not only for the country as a whole but in particular for the Allied war effort in Italy. In considering this aspect it should not be overlooked that it would now be impossible through lack of personnel to re-establish Military Government and the situation in the country might indeed become precarious.

7. Grain Collection Campaign. The question of rationing says an extremely important part in the programme of amassing. With say a 250 grams bread ration a tendency to refuse to amass in order to hoard grain and later to sell it in the Black Market at fantastic prices in such that it becomes an important factor in the amount amassed. It is thought that, if the ration can be established throughout at 300 grams, the incentive to refuse to amass, though not extinguished will be substantially reduced. This in turn will reduce import requirements and save shipping.

8. It will be seen from the foregoing that the results of a failure to fix a uniform minimum ration of 300 grams throughout liberated Italy may affect not only the whole economy of the country, but also the military and political aims of the Allied Governments. It is also apparent from what has been stated above and cannot be emphasised too strongly, that this Commission does not regard the ration of 300 grams as satisfactory or sufficient. It is merely put forward as a minimum which if established will probably avert the worst effects of inadequate rations which have been outlined above.

GILBERT W. STONE
Commodore, USNR
Acting Chief Commissioner.

A.O.C. ECONOMIC SECTION

10-2-54
(Date)

To	
☒	ECONOMIC SECTION
☐	AGRICULTURE SUB-COMMISSION
☐	COMMERCE " "
☐	FINANCE " "
☐	FOOD " "
☐	INDUSTRY " "
☐	LABOR " "
☐	P.W. & U. " "
☐	REQUISITION DIVISION
☐	TRANSPORTATION SUB-COM.
☐	SHIPPING SUB-COMMISSION
☐	
☐	CHIEF COMMISSIONER
☐	
☐	CHIEF OF STAFF
☒	DEPUTY CHIEF OF STAFF
☐	CIVIL AFFAIRS SECTION
☐	ESTABLISHMENT SECTION
☐	
☐	For: --appropriate action
☐	Remarks/Recommendation
☐	Investigation & Report
☐	Information
☐	Noting and Return
☒	Noting and Retention
☐	Signature
☐	Dispatch
☐	File copy
☐	Noting & circulation
Remarks:	

ECONOMIC POLICY IN ITALY

1. At its 31st Meeting on 9th August, 1944, the Official Committee on Amistice Terms and Civil Administration invited the Official Committee on Supply Questions in Liberated and Conquered Areas to consider whether a new policy was desirable in regard to economic and supply arrangements for Italy; and, if so, what that policy should be. SACRED also has asked for guidance, if only temporary, as to the next immediate stage in our attitude towards Italian economic affairs.
2. Having considered the question with the Government Departments concerned, the S.L.A.O. Committee conclude that a new economic and supply policy in regard to Italy is now necessary.
3. Up to the present the principles upon which the Allied Control Commission in Italy has been basing its administration of the country have been broadly speaking those applicable to the 'military period'. The standard adopted has been that of 'the minimum essential for the prevention of disease and unrest' but the actual levels of supplies provided for this purpose were not designed to meet even the minimum needs of a country over any long period. A less rigorous application seems necessary if 'disease and unrest' are still to be prevented.
4. Italian economy, at least in the South, has reached a stage where it is in the interests of the Allies to include among their aims that of making Italy as far as possible independent of the imported foodstuffs and necessary consumer goods which have to be provided and shipped by the Allies. Moreover, these supplies have to be sent to Italy on credit and it is unlikely that they will be paid for, except perhaps in small measure. The implementation of the policy of "prevention of disease and unrest" in the initial stages of military occupation necessarily involves importing supplies for civilian populations in the shape of foodstuffs and finished goods. But this first stage is passing and it is possible now to take a longer view. Supplies of raw materials and equipment should be provided where possible to enable Italian labour and productive capacity to supply her own population with essential requirements.

This policy should, however, be subject to 547
 limitations. First, inasmuch as supplies and shipping are limited, there may well be other countries with better claims

necessary.

3. Up to the present the principles upon which the Allied Control Commission in Italy has been basing its administration of the country have been broadly applying those applicable to the 'military period'. The standard adopted has been that of 'the minimum essential for the prevention of disease and unrest' but the actual levels of supplies provided for this purpose were not designed to meet even the minimum needs of a country over any long period. A less rigorous application seems necessary if 'disease and unrest' are still to be prevented.

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This policy should, however, be subject to ⁵⁴⁷ limitations. First, inasmuch as supplies and shipping are limited, there may well be other countries with better claims to such assistance than Italy. Secondly in some cases, it would be unjustifiable, solely to meet a short term need, to provide Italy with any appreciable amount of new equipment at a time when exporting industries in the Allied countries are still heavily handicapped by continuing war production.

5. Italy is unlikely to be able to make any important contribution of supplies to the war effort of the Allies, or the relief needs of Europe in the near future. But where the Combined Boards or other appropriate authorities recommend that a specific Italian industry should be assisted in the interests of the Allies to produce a surplus above the minimum of needs of the Italian population, the Italian import programme should be allowed to include the raw materials and equipment for this purpose. Any such export surplus will have the beneficial effect of helping to pay for essential imports.

6. The Allied Control Commission and the Italian authorities are in the best position to judge whether a particular plant falling within an approved industrial category can be put back into working order. Their report and estimates of repair materials, and where necessary raw materials, needed should be made known to the authorities in London and Washington as soon as possible. There may be cases, however, where a plant, while not producing civilian goods of an essential character, might with a very small amount of assistance be quickly brought back into production. If in the opinion of the Supreme Allied Commander the commodity in question would, proportionately to the imports required, be a valuable addition to civilian supplies for any special reason e.g. anti-inflation, it should be open to them to submit a special recommendation so that London and Washington may give final consideration on the merits of the case.

7. The S.L.A.C. Committee considers, therefore, that the following four principles should guide the activities of the Authorities in the field who are responsible for advising on and controlling Italian economy:-

- (a) Subject to the military requirements of the Supreme Allied Commander which must be paramount, the Italian Government should be encouraged to take an increasingly responsible part in conducting Italian economic affairs.
- (b) Italy should be encouraged to become as self-sufficient as possible in regard to supplies which she draws from the United Nations.
- (c) An effort should be made to raise her standard of living but not to one higher than those current in the territories of the allies or at the expense of their legitimate requirements. So far as possible this should be achieved by a better use of indigenous resources.

(d) The Italian Government should be aided and encouraged to restart those industries which will provide goods that the appropriate Allied Authorities agree shall be supplied by Italy for the war effort or relief needs of Europe.

8. It is understood that the Allied Control Commission and A.F.H.Q. are now working on a 12 months import programme drawn up in conjunction with the Italian authorities. In the absence of information it is not yet possible to consider the basis on which it has been drawn up. But to implement the above principles, the programme should include in addition to supplies needed under (b) and (c) above, materials and repair equipment to maintain in operation transport and utility services.

be brought back into production. If in the opinion of the Supreme Allied Commander the commodity in question would, proportionately to the imports required, be a valuable addition to civilian supplies for any special reason e.g. anti-inflation, it should be open to them to submit a special recommendation so that London and Washington may give final consideration on the merits of the case.

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 - (c) An effort should be made to raise her standard of living but not to one higher than those current in the territories of the allies or at the expense of their legitimate requirements. So far as possible this should be achieved by a better use of indigenous resources.
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9. The programme should be submitted simultaneously to London and Washington for further screening and for recommendation to the Combined authorities.

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

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S.I.A.C. (IT) (M) 15

WAR CABINET
OFFICIAL COMMITTEE ON SUPPLY QUESTIONS IN LIBERATED AND CONQUERED
AREAS

ITALIAN SUB-COGNITIVE FB

RESTORATION OF ITALIAN PRODUCTION AND RESOURCES

At the 3rd Meeting of the Italian Sub-Committee, it was agreed that a paper, supplementary to the Survey of Northern Italian Resources (S.I.A.R. (IT)(44)1) should be prepared giving Departments' views on the restoration of Italian production and resources. The attached paper was considered in draft at the fifth Meeting of this Sub-Committee and accepted subject to minor amendments which have now been incorporated.

(Signed) G. McCleary,

Secretary.

Ministry of Production,
Great George Street, S.W.1.

14th September, 1944.

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RECONSTRUCTION OF ITALIAN INDUSTRY AND AGRICULTURE

1. The purpose of this paper is to give a general indication of those Italian resources and industries which civilian departments in London consider should have priority in any plans for stimulating or restoring Italian production.
2. The problem is not here considered from the point of view of long-term general economic policy towards Italy but solely to see how far Italian resources can be used during the early part of re-occupation either to meet local needs, thereby reducing demands from overseas or to meet requirements for purposes essential to the war effort, or for relief. Long term reconstruction of the industry of Italy, as an ex-enemy country, depends on issues of policy which will be considered by the Economic and Industrial Planning Staff. This paper critic consideration of Italian aviation and allied industries, and does not deal specifically with other branches of the engineering industry.
3. Italy has received to date nearly a million tons of supplies which constitute a considerable shipping commitment. A large proportion of these shipments has been necessary because the North of Italy was the most fertile and productive area, and Southern Italy cut off from the North was dependent on the United Nations for essential needs in foodstuffs and other materials. As soon as the plain of Lombardy and the Northern industrial area round Milan and in Piedmont are liberated and in production it should be possible to cut down very considerably Italian imports of many of the goods which have been sent to the country during the last nine months.
4. It emerges from this paper that there are comparatively few essential goods or raw materials which Italy can export at this stage. Our chief aim now should therefore be to make her as self-supporting as possible and not to expect any importation contribution to war or relief needs for some time to come.
5. It is, of course, a pre-requisite of any economic activity - particularly in the industrial field - that transport and public utilities including hydro-electric power be restored to some kind of working order. No special mention is made to them in this survey since it is not known to what extent they will have been repaired by the military authorities for their own purposes. If this is not the case, it is important that estimates of spare parts and equipment needed for repairs be made known as soon as possible to the Supply Departments. If necessary, the parcel of public utility experts could prove assistance in drawing up these estimates.
6. Details of the individual industries and resources which should be encouraged are given below. For greater convenience they have been divided into two parts - the first covering raw materials and consumer goods and the second covering food and agriculture.

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6. Details of the individual industries and resources which should be encouraged are given below. For greater convenience they have been divided into two parts - the first covering raw materials and consumer goods and the second covering food and agriculture.

PART I.

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The industries in this Section are divided into four categories.

I. Industries which should be brought into full operation in order to provide materials needed for essential war purposes. These are goods which may be exported to U.S./B.A. or the Mediterranean area. They are comparatively few in number, being chiefly hemp, silk, sulphur, leather and hides and wool.

II. Industries which should be encouraged in order to meet essential Italian needs. These include (a) those which might eventually provide an export surplus for relief and (b) those which will have no surplus.

III. Industries which need to be restored to provide essential raw materials for the industries grouped in categories I and II.

IV. Miscellaneous Industries which should receive little or no encouragement.

Appendix C attempts to give a rough indication of priorities for the industries in the first three categories. It must be emphasized however that it is impossible to establish a clear cut list of relative priorities and the appendix is attached more as a survey of Part I than as a hard and fast guide on priorities. In particular, in alloying, scarce raw materials along industries, it may on occasion, be desirable to give preference to a lower priority industry if the amount of such raw material required is small in relation to the output of the industry which can thereby be effected.

CATEGORY I

(a) Wool.

Total U.S. requirement in 1945 from all Italy is likely to be around 10/12,000 tons. The total Italian hemp crop pre-war was about 120/120,000 tons. Production in the North is more important than in the South, the Northern crop in pre-war years being roughly two-thirds total production. Production of raw hemp should be maximized for use by local industry, thereby obviating the need for imports of other fibres, e.g. jute and sisal, and for export. The U.S. requirement of raw hemp from Northern Italy will depend on the success of experiments with Italian hemp/animal mixture in substitution for pure sisal, on our future allocations of hemp from the Naples area (the C.R.M.B. allocated the first 5,000 to the U.S.) and on our purchases in India.

The Italian hemp manufacturing industry should be maintained or restarted to the extent necessary (a) to meet essential local civilian needs, (b) to meet Service requirements in the Mediterranean area, and (c) to provide exports particularly for liberated territories.

The Ministry of Supply considers that it will be necessary to send out at least one and probably two experts in addition to their representative who is already in Naples.

(b) Silk.

Production of Raw Silk should be maximized and the raw silk made available for export to the United Nations, except in so far as it is needed for approved use by local silk industry. The latter should operate only to the extent that it can produce, for export to the United Nations for the prosecution of the war, manufactured silk (e.g. yarn for parachute fabric) in specifications acceptable for Service requirements.

(c) Sulphur.

With C.R.M.B. authorization, the U.S. has already obtained 10,000 tons of sulphur from Sicily to meet a specific urgent demand. Further shipments of sulphur from Sicily to U.S. are not likely to be wanted, but there is considerable urgent demand for sulphur in

Production in the North is more important than in the South, the Northern crop in previous years being roughly two-thirds total production. Production of raw hemp should be maximized for use by local industry, thereby obviating the need for imports of other fibres, e.g. jute and sisal, and for export. The U.S. requirement of raw hemp from Northern Italy will depend on the success of experiments with Italian hemp/sisal mixtures in substitution for pure sisal, on our future allocations of hemp from the Naples area (the C.R.M.B. allocated the first 5,000 to the U.S.) and on our purchases in India.

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(c) Sulphur

With C.R.M.B. authorization, the U.S. has already obtained 10,000 tons of sulphur from Sicily to meet a specific urgent demand. Further shipments of sulphur from Sicily to U.S. are not likely to be wanted, but there is considerable urgent demand for sulphur in the Mediterranean basin which must otherwise be met by long haul shipments from the Gulf of Mexico. Further, sulphur will be urgently wanted for liberated Europe and C.R.M.B. have therefore recommended that Sicilian production be maximised. Italian mainland sulphur will be wanted for Italy's own requirements, mainly for agriculture, and production should be raised to a level sufficient to meet these requirements.

A representative of the Ministry of Supply has already visited Italy and Sicily in connection with the acquisition of the 10,000 tons mentioned above. It is unlikely that we shall need to send anyone else out in the near future.

(d) Coal.

High priority has already been given to developing the output of Sardinian coal since this production is regarded as the first source of supply for all Mediterranean requirements except for those purposes for which considerations of quality and size render it unsuitable. It is unlikely that U.K. will be able to make good deficiencies which may arise if the Indian ocean supplies fall short. It is essential therefore that Sardinian coal be used to the maximum extent practicable. So far there has been comparatively little outlet, but it appears probable that a greater proportion of it can be used in the regions now being liberated since industry in the Rome area and northward is better adapted to use this type.

(e) Leather and Hides.

Heavy Lombardy hides must be made available for export in exchange for other hides which we would supply. 500 tons a quarter is suggested as a target for Lombardy hide exports. The leather industry should be maintained or restarted to the extent that hides are available (see also Category IId).

(f) Chestnut extract.

Italy normally exports an appreciable quantity of this for tanning and other purposes. U.K. would be glad to take any available supplies.

CATEGORY II.

Industries in this second category are grouped into two sub-divisions: (A) those which when in full operation might eventually provide not only for essential Italian needs but also for an export surplus for relief needs in Europe and (B) those which are not likely to provide any such surplus.

A. (a) Textiles.

Of manufactured goods in this category, Italy's considerable textile production is easily the most important. Though production south of the Pisa/Rimini Line is by no means negligible, the question of an exportable surplus will not arise until we are in possession of the Lombardy Plain. The 1943 production in the Rayon Industry alone reached a maximum of 250,000 tons. It is essential, for the proper direction of the textile industry, that exports be sent out to investigate conditions immediately the Northern plants come into our possession, to report on the machinery and spare parts needed to restore that industry and also to what extent rayon plants could be converted to the use of raw wool and cotton in place of pulp, which it would be impossible to supply from overseas for some time to come.

Home production of indigenous reeds and beechwood pulp, which

suggested as a target for Lombardy hide exports. The leather industry should be maintained or restarted to the extent that hides are available (see also Category IIB).

(F) Chestnut extract.

Italy normally exported an appreciable quantity of this for tanning and other purposes. U.S. would be glad to take any available supplies.

CATEGORY II.

Industries in this second category are grouped into two sub-divisions: (a) those which when in full operation might eventually provide not only for essential Italian needs but also for an export surplus for relief needs in Europe and (b) those which are not likely to provide any such surplus.

4. (a) Textiles.

Of manufactured goods in this category, Italy's considerable textile production is easily the most important. Though production south of the Pisa/Rimini Line is by no means negligible, the question of an exportable surplus will not arise until we are in possession of the Lombardy Plain. The 1943 production in the Rayon Industry alone reached a maximum of 200,000 tons. It is essential, for the proper direction of the textile industry, that experts be sent out to investigate conditions immediately the Northern plants come into our possession, to report on the machinery and spare parts needed to restore that industry and also to what extent rayon plants could be converted to the use of raw wool and cotton in place of pulp, which it would be impossible to supply from overseas for some time to come. 512

Raw production of indigenous reeds and boeckered pulp, which has recently been developed and should be maintained, will supply 25% of the pulp needs of the rayon and staple fibre industry. But if a part of the industry could be re-converted to natural fibres, raw cotton and wool could be made available.

As regards imports of machinery, these should only be sent on a first-aid basis. It would obviously be prejudicial to the long term interests of the textile industry of the Allied Nations, if the Italians were to achieve priority in long term reconstruction and were the first to equip themselves with improved machinery or increase capacity through the accident of being the first to be out of the war.

For the same reasons, we attach importance to the selection of markets for exportable surpluses from Italy and to the strict control of the types of goods to be manufactured for export. It is clearly desirable that Italian textile exports should be limited to the relief range of goods and should be sent to territories with immediate needs.

(a) Pyrites.

Italian pyrites are wanted for local production of sulphuric acid (see III b below). Pyrites cinders are used as an antacid for the production of pig iron. The Ministry of Supply would not wish to switch from Spain to Italy as a source of pyrites, as the British sulphuric acid industry is now geared to use Spanish pyrites and the substitution of Italian pyrites would involve considerable difficulties. Coal may be needed for the mining and transport of pyrites but there is no direct relation between coal requirements and pyrites output.

(c) Zinc and Lead.

C.R.M.B. has recommended that lead and zinc production in Sardinia is desirable and that the mines should be operated with a view to getting maximum output of lead. Subject to the concurrence of the Combined Coal Committee, coke should be supplied to operate the lead smelter in Sardinia. We have suggested that when electric power is again available, zinc smelters in Sardinia and at Cottone should be re-started. The lead and zinc metal should be reserved for the Mediterranean area, particularly Italy, for stockpiling against relief and rehabilitation needs or for other needs as may be determined by C.R.M.B. The lead and zinc deposits in North Italy are much smaller and it is doubtful whether it will be necessary to start up the mainland mines if the Sardinian mines are in production.

(d) Carbon disulphide.

Production should be increased as far as possible. Carbon disulphide is needed in the production of synthetic textiles, olive oil extraction for soap making and for pesticides.

CATEGORY II B(a) Footwear.

Footwear production should be developed as much as possible. Considerable capacity existed before the war for leather footwear and also for shoes made from substitute materials such as cork, wool, etc.

(b) Timber.

Production of timber to meet essential local needs should be encouraged, but it is important that timber should not be wasted. It seems unlikely that it will be possible to develop an export surplus.

(c) Paper.

Italy has been relying recently on native plants for fibre for the paper-making industry and we should like to see the paper industry started up again to the extent that indigenous raw materials are

again available, mine workings in Sardinia and at Grotto should be re-started. The lead and zinc metal should be reserved for the Mediterranean area, particularly Italy, for stockpiling against relief and rehabilitation needs or for other needs as may be determined by C.R.M.B. The lead and zinc deposits in North Italy are much smaller and it is doubtful whether it will be necessary to start up the inland mines if the Sardinian mines are in production.

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(b) Timber.

Production of timber to meet essential local needs should be encouraged, but it is important that timber should not be wasted. It seems unlikely that it will be possible to develop an export surplus.

(c) Paper.

Italy has been relying recently on native plants for fibres for the paper-making industry and we should like to see the paper industry started up again to the extent that indigenous raw materials are available. The struggling block, however, is likely to be coal, which is essential to the industry.

(d) Jute - substitutes.

The Italian jute substitute industry using domestically produced broom root fibre and hemp has been developed since supplies of jute were cut off. As the jute supply position is not easy at present, it will be extremely useful if this industry could be started up in order to meet jute sack requirements in Italy. Production of sacks from other substitute materials, e.g. spun paper, should also be encouraged.

(e) Rubber.

Any production of synthetic rubber would be welcome but it is likely that the Germans will either remove or destroy the key units of the plants at Ferrara and Tord before the Allied advance.

CHAPTER III.

The third category consists of those industries which need to be restored in order to supply raw materials or essential services for the industries grouped in categories I & II. It is of course essential to the restoration of any considerable industrial activity that the electric power be not only available in order as soon as possible, since 90 per cent of all manufacture and nearly one-third of the railway system in Italy depends on electric power.

(a) Iron and Steel.

Steel is a basic industry. If transport equipment and hydro-electric installations need substantial repair or replacement, enormous quantities of steel will be needed, as they will also for the restoration of other manufacturing industries and for building. The supply position of steel products is, in general, tight, and local production of steel should be encouraged in order to minimize demands for imported steel for essential repairs, at any rate for some time after the end of the war in Europe.

The raw materials for steel are pig iron and/or scrap. Italian pig iron requires imported coking coal for its production from native ores and pyrites cinders. It is thought that there will be adequate supplies of local scrap, and it is important that these should be made available to steel plants which will entail giving their transport adequate priority. Until all Italy is liberated, local conditions and availabilities particularly of electric power and coal, must determine whether particular iron and steel plants, as they come under Allied control, can be kept going or re-started. However practically, this should be done. Plants capable of producing steel without imported materials (e.g. plants making electric furnace steel from scrap) and plants requiring only relatively small quantities of imported coal to help out local resources (e.g. electric blast-furnace iron-smelting plants) should in general have priority over plants dependent mainly on imported coal, although there may be exceptions.

When the North is liberated, a survey should be made to estimate the various tonnages of imported coal required to achieve the then desired level of steel production. After Germany's defeat the Italian steel industry should probably revert to using German coal if available, and may be able to obtain pig iron from the Lidge plant in Austria.

(b) Sulphuric Acid.

Essential for the fertilizer and rayon industries which alone

the restoration of other manufacturing industries and for building. The supply position of steel products is, in general, tight, and local production of steel should be increased in order to minimize demands for imported steel for essential repairs, at any rate for some time after the end of the war in Europe.

The raw materials for steel are pig iron and/or scrap. Italian pig iron requires imported coking coal for its production from native ores and wastes. It is thought that there will be adequate supplies of local scrap, and it is important that these should be made available to steel plants. All small firms, their transport and availability particularly of electric power and coal, must determine whether particular iron and steel plants, as they come under Allied control, can be kept going or re-started. Wherever practicable, this should be done. Plants capable of producing steel without imported materials (e.g. plants using electric furnace steel from scrap) and plants requiring only relatively small quantities of imported coal to help out local resources (e.g. electric blast-furnace iron-making plants) should in general have priority over plants dependent mainly on imported coal, although there may be exceptions.

When the North is liberated, a survey should be made to estimate the minimum tonnage of imported coal required to achieve the then desired level of steel production. After Germany's defeat the Italian steel industry should probably revert to using German coal if available, and may be able to obtain pig iron from the Linz plant in Austria.

(b) Sulphuric acid.

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Essential for the fertilizer and rayon industries which alone take up to 75% of production. Sulphuric acid is an extremely difficult cargo to transport and imports into Italy are out of the question. Sufficient supplies should be available to enable sulphuric acid to be made in Italy.

(c) Soda ash and Caustic Soda.

Both these depend on native salts of which there are ample supplies. Soda ash and Caustic Soda are both at present difficult in the U.K. and the U.S.A. They are essential for the paper, rayon, soap, and olive oil refining industries, 85% of Caustic Soda production being used for rayon and staple fibres. Unless sufficient power is available coal would be required for production on roughly a ton for ton basis. The two most important soda factories are in the North at Trieste and Leghorn.

CATEGORY II.Miscellaneous.

(a) No special measures should be taken to start up the following industries, but they would be useful when in production:-

- (1) Aluminum. This is non-splinting grade only. There are ample supplies in Canada, but local supplies would save shipping. Non-splinting grade aluminum is used in the building trade and demands are likely to be heavy.
 - (ii) Alcohol. This might be wanted for use as a substitute fuel.
 - (iii) Coal carbonization products. Restriction of coking coal will limit the extent to which this industry can be started up.
 - (iv) Zinc.
 - (v) Plastics.
- (b) It is unnecessary to start up the following industries until the emergency period is well over, as ample supplies are available elsewhere:-
- (1) Mercury, Antimony, Copper, Nickel. Italian production of the last two is insignificant.
 - (ii) Breeding, Iodine.
 - (iii) Raw Cotton (because it competes with food).
 - (iv) Flax.

PART II

1. It is of primary importance that Italian agricultural resources should be fully exploited in order that imports of foodstuffs should be kept to a minimum. Provided that agricultural production could be restored to near normal levels and crops and livestock products can be successfully increased, Italy as a whole should be able to do without any substantial imports of foodstuffs. In order to achieve this every effort should be made to stimulate the production of the staple foodstuffs - wheat, rice, olive oil, sugar - and from this follow the necessity to give high priority to the related industries, flour mills, bakeries and spaghetti factories making highest, with olive oil plants and sugar beet factories (the latter in the highest) following very close.

2. Appendix A shows the proposed priority, using the same scale as in Part I, of the main agricultural and food industries in order to attain Italian self-sufficiency in foodstuffs, together with possible exportable

(iv) Fin.(v) Planting.

(b) It is unnecessary to start up the following industries until the emergency period is well over, as ample supplies are available elsewhere:-

(i) Manganese, Antimony, Copper, Nickel. Italian production of the last two is insignificant.

(ii) Brumide, Iodine.

(iii) Rice Cotton (because it competes with food).

(iv) Flax.

Part II

1. It is of primary importance that Italian agricultural resources should be fully exploited in order that imports of foodstuffs should be kept to a minimum. Provided that agricultural production could be restored to near normal levels and crops and livestock products can be successfully raised, Italy as a whole should be able to do without any substantial imports of foodstuffs. In order to achieve this every effort should be made to stimulate the production of the staple foodstuffs - wheat, rice, olive oil, sugar - and from this follow the necessity to give high priority to the related industries, flour mills, bakeries and spaghetti factories, and highest, with olive oil plants and sugar beet factories (the latter in the (iii) following very close.

2. Appendix A shows the proposed priority, using the same scale as in Part I, of the main agricultural and food industries in order to attain Italian self-sufficiency in foodstuffs, together with possible exportable surpluses, and Appendix B discusses briefly the national availability of foodstuffs and agricultural requisites.

3. Below are given some details in any of the amplification of the priorities shown in Appendix A.

4. Wheat.

So far as Italy south of the Pisa/Rimini line is concerned unless wheat arrangements could be so effective that it would be possible to mobilize the entire crop, less the quantity to which the peasant is legally entitled for seed and household consumption, imports would be necessary in order to maintain even the minimum level of urban consumption.

5. Rice.

This is grown exclusively in Northern Italy, and given a normal crop it should be possible to obtain a quite substantial surplus though it might be necessary to import an equivalent amount of wheat.

6. Sugar Beet.

This is also almost entirely grown in the North. Every effort should be made to process the 1944 best crop, particularly in the main sugar producing areas of Veneto and Emilia, although this might mean a sudden heavy demand on transport and labour. This sugar could be traded for the surplus olive oil from Southern Italy, if the latter can be effectively amassed.

7. Olive Oil.

The main producing areas are in the South and, as suggested in the preceding paragraph, this might (assuming occupation of Italy above the Pisa/Rimini line) be exchanged for sugar from the North.

8. As there is a shortage of animal protein foods, high priority should be given to meat and meat processing, cheese making and fishing. It would not, however, be necessary to give such a high priority to the two former industries in the area South of the Pisa/Rimini line since commercial cheese making and meat processing are largely confined to the area North of this.

9. Agricultural Requisites.

In order to maintain and increase agricultural output and thereby minimise imports it is important that supplies of agricultural machinery, seeds, pesticides and fertilisers are assured. These industries should be given high priority though ranking below the essential food industries. Production of superphosphate plants, the raw materials for which are phosphate rock and sulphuric acid (45% of the production of the latter is normally taken up for fertilisers), should be maximised to the extent that phosphate rock can be imported from Tunisia. The main production is north of the Pisa/Rimini line and this region normally consumes by far the largest proportion of phosphate fertilisers, agriculture being more highly developed in Northern Italy. Nitrogenous fertiliser plants should be operated to the maximum extent possible with local resources (hydro-electric power and electric power from Thermal Stations fired with native coal, e.g. Sardinian). The use of imported coal for synthetic nitrogen plants would be difficult to justify. On balance, it seems unlikely that it will be possible to develop an export surplus until ample power supplies are again available. Copper sulphate is of importance as a fungicide for agricultural use, and plants should be utilised to the full extent that raw materials, sulphuric acid and scrap copper, are available. The question whether, if there is a deficiency of copper scrap, this should be imported from the U.S. or U.S.A. will require consideration. The vegetable seed-growing industry should be stimulated to meet Italy's own requirements and provide a surplus for relief needs.

preceding paragraph, this might (assuming occupation of Italy above the Pisa/Rimini line) be exchanged for sugar from the North.

8. As there is a shortage of animal protein foods, high priority should be given to meat processing, cheese making and fishing. It would not, however, be necessary to give such a high priority to the tannin leather industries in the area South of the Pisa/Rimini line since commercial cheese making and meat processing are largely confined to the area North of this.

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10. SOAPS.

Unless imports of oil seeds and vegetable oil can be obtained, the soap industry will have to depend on olive residue oil and animal and waste fats. Caustic Soda will also be required (see also Category III(c).)

11. EXPORTS.

As indicated in paragraph 3, so far as food and agriculture are concerned it is felt that the emphasis should be on attaining Italian self-sufficiency. However, assuming a normal crop it should be possible to obtain a quite substantial surplus of rice, though against this imports of wheat might be necessary. There should also continue to be surpluses of seeds,

fruits, nuts, and other products. Some of which are already being exported to U.S. and the U.S. In addition, certain quantities of fertilizers, soap and some types of agricultural machinery will be available for relief if the industries can be quickly rehabilitated but, as shown above, this would be dependent on certain imports of raw materials.

This paper sets out the views of supply departments at the present date. At any moment, the supply position may change and so affect the relative priorities indicated here so that a further review will be necessary from time to time. It is suggested therefore that this paper should automatically come under revision in a few months' time.

Since the purpose of our policy is in the nature of short term first-aid repairs rather than long term restoration of industry, it follows that any necessary equipment, spare parts or raw materials which it is agreed should be sent, should be supplied as quickly as possible. It is however very doubtful in the light of other known demands on our industrial capacity and labour whether substantial quantities of equipment, necessities etc., could be made available from the U.S. in 1944 or even 1945 for use in Italy. Thus if the vital hydro-electric power plants are badly damaged their restoration will have to depend largely on equipment from the U.S.A. On the other hand if any vital industry were not badly damaged and could, with prompt supplies of a few repair items be brought quickly into production it would be worth making a special effort to assist in providing the necessary spare parts.

Departments are also, anxious to emphasize as strongly as possible that the restoration, even on a short term basis, of Italian industry should be accompanied by effective control of the goods produced. The desired reduction in imports can be achieved only if Italian home consumption is kept down to relief standards and this necessitates equitable distribution, rationing and price controls. Unless such controls can be effectively exercised, the imports of equipment and raw materials to stimulate production of consumer goods would not be justified and might arouse resentment in Allied liberated Territories less favourably situated in regard to indigenous production of such goods.

Restoration of Italian production
and Resources

Part 2

Main Food and Agricultural Industries

Flour Mills	1
Bakeries	1
Spaghetti	1
Olive Oil	1
Meat and Meat processing	1
Cheese making	1
Fishing	1
Sugar refining	1
Rice	1
Agricultural machinery	2
Fertilisers (nitrogenous)	2
(phosphatic)	2
Pesticides	2
Ice and cold storage	2
Fruit and vegetable packing	2
Fish preserving	2
Tartaric products	2
Citric products	2
Wine making	2
Soap	3

APPENDIX B

Notes on Regional Availability of
Food Supplies and Agricultural
Requisitions

1. Wheat Of the six main producing areas, four are in the North, Emilia, Lombardy, Veneto and Piedmont, and of these Emilia is the only one likely to have a substantial surplus. Piedmont might possibly grow a small surplus, while Veneto would possibly have to import. In the South, Sicily normally produced sufficient to meet the bulk of domestic needs but imported rather more soft wheat than she exported "durum". Puglia should be self-sufficient; although half of the wheat grown in "durum" and normally there was a surplus of this, pre-war she probably imported somewhat larger quantities of soft.
2. Rice Is grown exclusively in Northern Italy the main areas being Piedmont and Lombardy, accounting for nearly 50 per cent and 40 per cent respectively of the total production. Out of a pre-war crop of some 800,000 tons, Italy used to export about one-quarter.
3. Sugar Beet Is almost entirely grown in the North, Veneto and Emilia producing between them about 65 per cent of the Italian crop. About three-quarters of pre-war production in these two regions was surplus to local consumption.
4. Olive Oil The main producing areas are in the South - Puglia, Calabria and Sicily - of which Puglia had on average annual surplus of nearly 50,000 tons, Calabria had a small surplus over local needs and Sicily exported olive oil against an almost equivalent import of other and cheaper vegetable oils.
5. Fishery Industries While this was more or less general, the main fishing ports (with the exception of Bari (Puglia) and Ancona (Marche)) appear to be in Veneto, Emilia, and Venetian Giulia and Zara, where there are fish-preserving and curing industries.
6. Wool Production Lombardy and Emilia are the main producing areas and the pre-war export of 20,000 tons probably came almost entirely from these two regions.
7. Agricultural Machinery Emilia and Veneto are believed to have the two main manufacturing firms at Reggio and Verona respectively, there is a small production at Ivrea and Rimini (Emilia) and in Piedmont there are a considerable number of firms making agricultural machinery and implements.
8. Nitrogenous Fertilizers Of the twelve main synthetic ammonia plants six are in the North and six in the South.

500,000 tons, Italy used to export about one-quarter.

3. Wool - Italy is almost entirely grown in the North, Veneto and Emilia producing between them about 85 per cent of the Italian crop. About three-quarters of pre-war production in these two regions was surplus to local consumption.

4. Olive Oil - The main producing areas are in the South - Puglia, Calabria and Sicily - of which Puglia has an average annual surplus of nearly 50,000 tons. Calabria had a small surplus over local needs and Sicily exported olive oil against an almost equivalent import of other and cheaper vegetable oils.

5. Woolen Industry - While this was more or less general, the main finishing centers (with the exception of Bari (Puglia) and Ancona (Marche)) appear to be in Veneto, Emilia, and Venezia Giulia and Zara, where there are fish-preserving and curing industries.

6. Woolen Production - Lombardy and Emilia are the main producing areas and the pre-war export of 20,000 tons probably came almost entirely from these two regions.

7. Agricultural Machinery - Emilia and Veneto are believed to have the two main manufacturing plants at Reggio and Verona respectively, there is a small production at Imola and Rimini (Emilia) and in Piedmont there are a considerable number of firms making agricultural machinery and implements.

8. Macroeconomic Statistics - Of the twelve main synthetic ammonia plants six are in the North and six in the South.

9. Chemical Industry - Mainly the Italian capacity is small. There are numerous factories but the larger plants are apparently mainly in the North - two in Piedmont (Novara and Alessandria); one in Liguria (Savona); two in Tuscany (Livorno and Pistoia); one in Veneto (Mira) and one in Calabria (Crotone).

10. Soap - Vegetable and animal oils and fats, chiefly olive, palm oil, sunflower, soybean, low-grade American olive oil, and animal fats are used in the Italian soap industry in normal times. Pre-war production was about 200,000 tons of all kinds of soap, but, during war-time, the production and quality of the soap has greatly declined, and certainly the quantities of toilet soap available were insufficient to meet the ration. There are over 1,500 soap works, and, of the nine largest, seven are in the North, one in Rome and one in Naples.

Restoration of Italian IndustriesPart ICategory I

For export either to U.K./U.S. or
to Mediterranean area

Category II

To make Italy self-sufficient.

- A) with possible surplus for relief etc.
B) with no possible surplus

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	Priority		Priority
Hemp	1	Textiles	1
Silk	1	Pyrites	2
Sulphur	1	Zinc and Lead	2
Coal	1		
Leather and Hides	1	Footwear	1
		Timber	2
		Paper	2
		Auto	2
		Rubber	2

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

APPENDIX C

Restoration of Italian Industries

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Part I

Category II

Category III

I
U.S./U.S. or
area

To make Italy self-sufficient.
A) with possible surplus for relief etc.
B) with no possible surplus

To provide necessary plant or
raw materials for Categories
I and II

Priority		Priority		Priority
1	Textiles	1	Transport and other	1
1	Pyrites	2	public utilities	
1	Zinc and Lead	2	including	
1			Hydro-electric power	1
1			Iron and Steel	1
	Footwear	1	Sulphuric Acid	1
	Timber	2	Soda ash and	1
	Paper	2	Caustic Soda	1
	Auto	2		
	Rubber	2		

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