

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

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SAC'S ECONOMIC SUB-COMTEE
MAY 1945

C.S.O.

For info see folio 5 para 2 (a) (b) & (c) also at foot of folio 5
para (a) & (b) & para (c) of folio 4 re: proposal for ITC. advise Trade Comm.
The operation of ITC re Trade now becomes an A.C. responsibility.

Also see folio 3 para 5 (b) & C.C.'s summary re formation of
Industries Advisory Production Board.

28/1/61

5/25/61

17/8/61

EX-107-102

Tel : 239

28 May 1945.

Ref: 4018/7/20.

SUBJECT : Supreme Allied Commander's Economic Sub-Committee.

TO : Economic Section.

1. Two copies of Minutes of the Meeting of Supreme Allied Commander's Economic Sub-Committee held on 22 May 45 are forwarded for information and appropriate action.

2. As will be noted from the distribution stated thereon copies have been retained by Chief Commissioner and Executive Commissioner.

V. B. ARNOLD

Chief Staff Officer,
To Executive Commissioner.

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B. V.

2099
Noted
32/5

RESISTANCE

ALIAS, FORCE, HIDEOUTS

CC 1820

MAY 27 1945

7th Meeting

25 May 1945

SUPREME ALLIED COMMISSION
ECONOMIC SUB-COMMITTEE

MINUTES OF A MEETING OF THE ECONOMIC SUB-COMMITTEE HELD IN THE G-3 WAR ROOM AT 1030 HOURS ON TUESDAY 22 MAY 1945

MEMBERS PRESENT:-

Lieutenant-General Sir Brian H. Robertson,
Chief Administrative Officer, APHQ

Rear Admiral Ellery W. Stone,
Chief Commissioner, Allied Commission

Brigadier General A. L. Hamblen,
Assistant Chief Administrative Officer

Brigadier General Charles M. Spofford,
Assistant Chief of Staff, G-5

Mr. C. C. Offie,
Deputy U. S. Political Adviser

Mr. P. P. Broad,
Representing British Resident Minister

Colonel D. M. Libby,
Representing Assistant Chief of Staff, G-4

THE FOLLOWING WERE ALSO IN ATTENDANCE:-

Mr. A. G. Antolini
Vice-President, Economic Section, A.C.

Brigadier General E. B. McKinley,
Economic Section, A.C.

Brigadier Anderson,
Economic Section, A.C.

Mr. Robert James,

Rear Admiral Ellery W. Stone,
Chief Commissioner, Allied Commission

Brigadier General A. L. Hembler,
Assistant Chief Administrative Officer

Brigadier General Charles M. Spofford,
Assistant Chief of Staff, G-5

Mr. C. Office,
Deputy U. S. Political Adviser

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Economic Section, A.C.

Brigadier Anderson,
Economic Section, A.C.

Mr. Robert James,
Representing W.S.A.

Colonel Basil Sheldon, A.F.L.R.S.

Lt. Col. J. H. Whitman,
Representing MEDSO

Commander F. A. Southard,
G-5 Section

Lt. Col. M. J. Glenn,
G-5 Section

SECRETARY

Major H. V. Grady

RESTRICTED

2098

28 MAY 45

Accord: Econ Sec (2)

INFO: Chief Comm

Exec Comm

see F75 M.8

1. General ROBERTSON opened the meeting and noted that the Economic Sub-Committee had not convened since September 1944. He advised that it would no longer be considered a standing committee but would be convened from time to time to consider specific problems.

2. PROPOSAL FOR ITALIAN ALLIED TRADE COMMITTEE

(Copy To File 4003/EC)
The Sub-Committee had before it a paper by G-5:

- (a) Pointing out that Italian trade is going through a transition from a strictly military control period to a period in which Italy assumes full control over its own foreign trade.
- (b) Advising that foreign trade is still carried on primarily through military channels.
- (c) Recommending that a committee be constituted in Rome comprising the A.C., members of the various embassies, AIDEO, and the Italian Government, to assist and advise the A.C. on matters of foreign trade and commercial policy.

GENERAL SPOFFORD explained that one year ago the creation of a quasi-civilian board, which would assist in implementing trade throughout the Mediterranean, was considered. It was decided at that time that such action would be premature. However the discussions then conducted by the Economic Sub-Committee resulted in representations to the Combined Chiefs of Staff on commercial policy matters and the resultant receipt of the major portion of existent directives. It is believed that it is now appropriate again to consider the establishment of a similar board with the general purpose of fully utilizing theater local resources and thereby reducing imports from the U.S. and U.K.

GENERAL ROBERTSON said that before details were discussed he wished to be informed whether the proposed committee is necessary to repair Italian foreign trade.

ADMIRAL STONE stated that the A.C. was at present utilizing the agencies enumerated in the paper under discussion and that since the paper made clear that executive power would remain with A.C. the only useful purpose such a committee would serve would be to assume executive action at such time as the Allied Commission ceases to be responsible for Italian commercial policy and procedure.

GENERAL ROBERTSON stated that he was most anxious to divest FHC of responsibility for foreign trade, nominate a responsible body, and inform all interested parties to this effect. COLONEL 20TH ID and trade problems had been

(c) members of the various committees, advising the A.C., members of the various committees, to assist and advise the A.C. on matters of foreign trade and commercial policy.

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GENERAL ROBERTSON stated that he was most anxious to divest FHC of responsibility for foreign trade, nominate a responsible body, and inform all interested parties to this effect. COL. N. D. B. and remarked that many of the outstanding foreign trade problems had been referred to the Combined Chiefs of Staff who had recently advised that replies will be made by the Combined Liberated Areas Committee directly to the Allied Commission; and that in the experience of G-5 it is essential that communication channels and organizations be available to A.C. to permit the handling of detailed problems without dependence on FHC. ADMIRAL STONE agreed that if A.C. were authorized to deal directly with all areas and countries on foreign trade matters present communication problems would be solved. GENERAL ROBERTSON reiterated that it should be made clear that A.C. will control the machinery for the conduct of foreign trade and must utilize civilian agencies within the theater as a clearing house. ADMIRAL STONE would be a valuable addition to such a group.

CHIEF ADMINISTRATIVE OFFICER: Directed that G-5 should, in conjunction with the A.C., prepare a directive affirming that:

- (a) FHC is relieved of responsibility for the operation and conduct of Italian foreign trade,
- (b) This responsibility is passed to the A.C.,

(c) A mission is to be sent to the A.C. of civilian and diplomatic agencies including the A.C. of the A.C. to facilitate commercial communication and to exchange views on matters affecting Italian foreign trade.

3. REPORT ON CURRENT STATUS OF ECONOMIC BARRIER BETWEEN THE NORTH AND THE SOUTH. (COPY TO FILE 4609/EC).

The Committee had before it a paper prepared by G-5 summarizing the status of the economic barrier which stated that the purpose of the barrier was to maintain reportedly lower prices and wages in Northern Italy, through the establishment of police road blocks, during the period immediately following occupation; and pending clarification of the economic situation in the North, recommended that no action be taken to abolish the barrier.

GENERAL SPOTFORD amplified the paper by observing that it was not considered advisable to make a decision regarding the necessity for the barrier until a report had been received from A.C. summarizing the current situation in the North.

ADMIRAL STONE recommended that the barrier be abolished on 28 May. He requested that the existing instructions respecting prices and wages in the North remain in effect. GENERAL ROBERTSON asked COLONEL SHELDON whether the extension of AFLRS authority to the North might not be made to coincide with the abolition of the barrier, which would place wages and prices under AFLRS control. GENERAL HAMBLIN and COLONEL SHELDON agreed that this could be done. ADMIRAL STONE said that the A.C. felt the movement of population North and South should be permitted, subject to military convenience, but Fifth Army has so far refused to recognise Questora passes issued to civilians by Italian authorities.

MR. ANTOLINI, recently returned from an inspection of North Italy, reported that in general supplies are more abundant and wages and prices are lower than in the South. The barrier has served its intended purpose, largely through its psychological effect, which was to prevent speculation and rapid inflation. Wages and prices will be raised as circumstances require, with established military controls acting as a retarding factor. It is anticipated that certain inflation will take place in the North with a somewhat opposite deflationary effect in the South, as a consequence of the draining from the North of goods and services.

GENERAL ROBERTSON, referring to the movement of personnel to and from 5 Army area, stated:

(a) 5th Army has authority to restrict the free movement of goods and personnel only insofar as such movement affects operational requirements. At present 5th Army have two primarily operation-

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- (1) The activity along the Italian-French border.
- (2) Collecting enemy personnel.

(b) If it will prove of assistance to A.C., a signal will be dispatched to 5 Army requesting they honor Questura passes insofar as civilian travel does not restrict operational requirements. ADMIRAL STONE requested that this signal be withheld pending reply from a signal to 5 Army as to whether Questura passes will be honored. GENERAL ROBERTSON agreed.

THE CHIEF ADMINISTRATIVE OFFICER DIRECTED:

That G-5, in conjunction with the A/CIO, take action as at (X) above.

4. ESTABLISHMENT BY CLN.I OF RETRIBUTION BONUS. (COPY TO 3207/EC)

Mr. ANTOLINI reported that the CLN.I had established in Northern Italy a retribution bonus system to be supported by all industrial workers. Collections are being enforced by industrial unions and similar organizations. He recommended that further collections be prohibited until approved by the Italian Government when this territory ceases to be a responsibility of I.M.G. GENERALI SPECIFIED pointed out that CLN.I decrees in MG territory are not legal or enforceable, and as a consequence this is a matter to be dealt with by I.M.G. GENERALI ROBERTSON stated that he would await further advice on this matter from the Chief Commissioner, ...C.

5. FORMATION OF INDUSTRIAL ADVISORY AND PRODUCTION BOARD. (COPY TO FILE 5018/EC)

GENERALI ROBERTSON informed the sub-committee of action previously taken to form industrial advisory boards in Italy:

(a) It was apparent prior to the liberation of the North that a centralized group was necessary to ensure that Italian industry was fully employed; part of Southern Italian industry utilized by the military was being fully exploited but the remaining Southern facilities were not. This was primarily because the factors necessary to initiate production were under military control, and until they could be deployed and allocated for civil production, reactivation of industry could not take place. It was for this reason that the establishment of industrial advisory boards was recommended. Now that the North is uncovered it is even more necessary that industrial activity be centralized, if Italian economy is not to be allowed to lapse into inactivity with consequent unemployment and greater rather than less dependence on imported supplies by the Allies.

(b) The proposed board was to consist of three vice chairmen; one representing ...C., one the Italian Government, and one Italian industry. Initially the ...C. representative was to be chairman.

GENERALI STONE summarized the problem as follows:

(a) The proposed board is comparable to the War Production Board in the U.S. Great Britain has found need for a similar organization. It is to be noted that these agencies are a temporary war-time expediency.

(b) It is difficult to constitute a board of this nature under the provisions of P.M. 487, and the ...C. has consequently recommended the establishment of a Board acceptable to the Italian Government and not in conflict with Allied policy. He explained that he has sought political advice on this matter.

(c) General Stone then read a paper, explaining the 23 question, which is attached as annex 1.

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(b) It is difficult to constitute a board of this nature under the provisions of F.M. 487, and the A.C. has consequently recommended the establishment of a Board acceptable to the Italian Government and not in conflict with Allied policy. He explained that he has sought political advice on this matter.

(c) Admiral Stone then read a paper, explaining the ²³ proposition, which is attached as Annex A.

GENERAL ROBERTSON enquired how the military requirements of AFHQ/AC would be enforced were the board nominally controlled by the Italian Government. HAIRAL STONE replied that control will be exercised primarily through the power to allocate imports and transportation and by means of industrial contracts. GENERAL SPOTSWOOD noted that, under the terms of F.M. 487, S.C.M.D. is authorized to utilize local resources for military production, and that S.C.M.D. still retains the power of requisitioning.

GENERAL ROBERTSON observed that the terms of reference of the board should make reservations to the effect that the military needs of the Allied Forces will receive priority in Italian industry. He asked Admiral Stone to request one of his staff, to advise what provision for Allied personnel will be necessary in view of the new composition of the board.

BRIGADIER ANDERSON, at the request of Admiral Stone, stated that an increase in staff of approximately 150 officers will be necessary for the purpose of making industrial surveys and of forming the necessary board secretariats. He further pointed out that during the last

year of German occupation in Northern Italy 1,000 German officers were used to control industry.

GENERAL ROBERTSON expressed the opinion that considerable difficulty would be encountered in obtaining the requested number of Allied officer personnel, and recommended that Admiral Stone raise this matter at the next SACED political meeting.

MR OFFIE recommended that the establishment of these boards be brought to the attention of the Combined Chiefs of Staff.

GENERAL ROBERTSON confirmed that the Combined Chiefs of Staff would be notified by G-5 of action taken.

ADMIRAL STONE suggested that one of the Allied members of the Industrial Board should be drawn from FIRS. It was agreed that this would be logical.

GENERAL ROBERTSON asked if the sub-committee were in agreement with the proposals set forth in the memorandum read by the Chief Commissioner, Allied Commission.

The Sub Committee confirmed agreement with the proposals of the Chief Commissioner, Allied Commission, attached as annex 1.

R. V. G. D. Y.
R. V. G. D. Y.,
Major, T.F.C.
Secretary.

Distribution.

S.G.S.
Chief Administrative Officer
Asst. Administrative Officer
Chief Commissioner, A.C.
U.S. Political Advisor
British Resident Minister
Assistant Chief of Staff, G-4(C)
Assistant Chief of Staff, G-4(P)
Assistant Chief of Staff, G-5
Vice President Economic Section, A.C.
(S.)

FIRS AFHQ H.C.

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Secretary.

Distribution.

S. CS
Chief Administrative Officer
Asst. Administrative Officer
Chief Commissioner, S.C.
U.S. Political Adviser
British Resident Minister
Assistant Chief of Staff, G-4(S)
Assistant Chief of Staff, G-4(R)
Assistant Chief of Staff, G-5
Vice President Economic Section, S.C.
S.C.
PERS LPHQ R. S.

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APPENDIX A

HEADQUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
APO 394

CC 4045

21 May 1945

SUBJECT: Formation of Industrial Advisory and Production Boards.

TO : Chief Administrative Officer, A.F.H.Q.

1. The survey which has been made in Northern Italy by members of the Economic Section of Allied Commission clearly indicates that the setting up of Industrial Boards as envisaged in the correspondence between us has now become a matter of considerable urgency. Nevertheless, there are still many difficulties in the way.

2. The main difficulties are:

(a) Agreement of the Italian Government is essential

(1) as to the composition of the Boards, and

(2) as to their powers and methods of working.

This will probably take some time to obtain on account of the political situation. The Boards will have to be largely Italian in complexion.

(b) The composition and powers of the Boards must be such that the scheme for their initiation will receive the support of the Allied Governments.

(c) If the Boards are largely Italian in complexion, they would probably be acceptable to the United States and British Governments as being in accord with FAN 487. At the same time, if the Boards are Italian in nature, the U.S. and British Governments may fear that they may become instruments for the nationalization of industry, with possible injury to U.S. and British investments in Italy.

(d) Time is not now available for prolonged discussions with either the Italian Government or the Allied Governments.

We are therefore forced to compromise between the evils of the courses open to us.

3. The Allied Commission therefore proposes that the formation of an Italian Production Advisory Board be referred immediately to the Italian Government. Since some time will elapse before its creation, it is recommended that Italian Boards be set up by the Italian Government and A.M.G. for the following vital industries:

Textile industry;
Chemical industry, including fertilizers;
Steel industry, including coke oven industry.

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Textile industry;
Chemical industry, including fertilizers;
Steel industry, including coke oven industry;
Cement, lime and brick industries; and
Food processing industry.

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4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of the Italian Government, will control the allocation of imported raw materials in common use by all industries, such as coal, etc. The Allied Commission representatives participating in the Production Advisory Board would be designated advisory members. Being so termed, the scheme would conform with the conditions and intentions of FAN 487. The Allied members would, of course, exercise very considerable power as the import of raw materials would depend very largely on their advice and they would also control, through A/C/AFHQ, the facilities of movement of raw and manufactured materials between industries.

Word 'imported' verbally inserted
by Admiral Stone.

ELLERY W. STONE.
Rear Admiral, USNR
Chief Commis#ioner

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