

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

785017

ACC

10000/109/767  
(VOL. II)

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

10000/109/767  
(VOL. II)

EXPORT TRADE POLICY  
DEC. 1945 - SEPT. 1946

CSS-6a/6mm

216

Please see follow-up for info.  
Even Sec. for the action - copy

Out  
10/2/79

See by AD/EC: 10/2/79  
HLK

189

C.S.O. Pass d to you for information  
 are f. 185-188.  
 As regards 184 1/2, a copy is forthcoming.  
 All 4/12/45 SK 9/4.

190.

A/C.C.

f. 185-188 for info. H.S. 10/4

HY 10/4

C.S.O. Ex Comm

201.

Ref your min on folio 200. Please  
 see folio 201 for info. App  
 3/1/8

WJ 3/9

203

SEP 4 1946

Chief Commissioner.

Attached is submitted for your

approval

signature

information

P201

You asked about this the other day  
 P 200 refer NS (3/5) WJ 1/5  
 WJ 1/5

3547

7850, 7

160  
 100. To the 109 on the Economic question, Terejia Barker  
 This was sent directly to F.S who made distribution.

20/12/31  
Wags

be born -  
cos. Feb 164 for inf.

J.H. 2612  
 5000  
 12/2/00  
 37

MS 6712.

the lower in

166-170 for info.

8/3/61 Jd. 813

11/5/913

CFA

CFA  
P 169. AFTCO have asked me verbally to reply to  
730

ker 3

234

~~Ref. minute 172. Major Young (Admiral Superintendent of) who is at present at AFHQ has been advised by plane to consider this matter. His letter properly will be submitted in due course.~~

*J. C. W. Finance 1901/02*

173.

Dr. Lorenz.

3346

As Timon

CFA

173

P 169. AFHQ has asked me verbally to reply to

para 3

173

172. Major General (AASIS) ~~Thompson~~ ~~Agnew~~  
 who is at present at AFHQ has been advised by para 6  
 commander in matter. His entire group will be submitted  
 in blue copy.

AFHQ has  
 1943/46

173:

3346

Ex Comm.

Ref your m 172. I have seen Col Timmons'   
 deputy who points out that letter at 169  
 is answered by 170. H.S. 1413

Let H to issue

1943/46

184

C.S.O. J. 183 is so called "Restricted list" as decided  
 by D-5 in folio 176. Also attached J.R. 5/4.  
 18 folio 181 referred in par. 1, folio 183.

Let R. Please get a copy of draft Admin.  
 Memo. referred to in para 1 of 181. H.S. 574

Ex. 100. For info. 114  
119 120  
seen by Ex. 100 on file marked. 13/12/65  
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114 115 116

09/0  
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Chief Commissioner.

(101)

Approved  
Attached is submitted for your signature  
information

F. C. C. Refly to 128. W. will remain on 7/12 1954

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Ex Comm.

142.

CSO. Folios 141 in 6-5 interim reply to CC letters at 5128 & 5122.  
 Please find below.

W.S. 2811  
 SPH 24/1/46

Q2

144.

Chief Commissioner.

(W)

Approved  
 Attached is submitted for your signature  
 information

W.S. 3311

09/11  
 3311

Enc. CC Refly to 128. CC will respond on 7/2 1951

Ex Comm.  
 CSO Folios 143-146 for info.  
 W.S. 3111

W.S. 421

131.

CSO. Folios 148-150 for info.

154.

Enc. H.  
 Ref 141 and minute 144. Please send  
 polite request to 6-5 asking if they can  
 now let us have a reply. W.S. 912

CSO. Folios 155 for signature.  
 156

SPH 13/2/46

Seen  
 Ref 141  
 W.S. 421

SPH 21/1/46

SPH 1/2/46

4025. 4

ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

FS/20.5-215

NO 24/9 SEP 24 1946

Ref : I-15

14 September 1946

SUBJECT: Italian Trade Mission to Berlin.

TO : Chief Commissioner,  
Allied Commission,  
APO 794.  
Attn: Economic Section.

Enclosed copies (3) of a NOTE VERBALE which was sent by the American Embassy, Rome to the Ministry of Foreign Affairs, is forwarded for your information and retention.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

V. F. L. HARRIS

A. L. HARRIS,  
Colonel, CSC,  
Assistant Chief of Staff, G-5.

Encl : As above.

ALH/SFS/jw

E. S. Dist

Chief Com.  
Exec Com.  
File

See 17-216

(Capt R)

SEP 11 1946

3-26  
PH 9  
AR 11

No. 546

## NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to extend an invitation, on behalf of the Office of Military Government, United States (OMGUS), to the Italian Government to send a trade mission to visit Berlin during the first days of October 1946 in order to discuss future trade possibilities between Italy and the United States zone of occupation of Germany.

The United States military authorities in Germany have requested that the Italian mission not exceed five persons and that the mission be thoroughly informed and authorized to complete specific trade arrangements.

The Embassy is informed that OMGUS is primarily interested in exploring the possibility of selling in Italy such products as cameras and other optical equipment, precision instruments, chemicals, dental and X-ray equipment, rubber manufacturing equipment, hops and other products. It is said that automobile spare parts may also be available soon for export. Exports from Italy must be limited to those products which are considered essential to the minimum economy which is now permitted in Germany, and must therefore consist principally of foodstuffs, seeds, fertilizers, insecticides, textile fibres and other basic raw materials and semi-finished products.

The Office of Military Government, United States, has also requested that, if an Italian mission is to be sent, the Italian Government furnish to OMGUS a list of its import requirements and of the products which it has available for export. It is hoped that this list, which may be transmitted to Berlin through this Embassy, will be made available promptly in order that it may be studied by OMGUS at least ten days before the Italian mission reaches Berlin to initiate discussions.

The Embassy would appreciate receiving a reply from the Italian Government concerning this invitation as soon as possible, and if it is the intention to send a trade mission to Berlin, the Embassy would like to have the names of the Italian delegates and the probable date of their departure from Italy in order that the necessary travel clearances may be obtained without delay.

To the

Ministry of Foreign Affairs,

Rome.

Rome, September 5, 1946.

28 SEP 11 1946

3342

4025:  
201  
HQ ALONE

27 1700

AFHQ 0 FIVE

AUG 31 1946

4762

UNCLASSIFIED

200  
PARA ONE PD REFERENCE YOUR CABLE CHARLIE SIX ZERO FOUR FOUR ONE  
DATED TWO SIX AUGUST ONE NINE FOUR SIX SUBJECT SHIPMENTS OF  
PARCELS OF FOOD FRUIT AND VEGETABLES BY ITALIAN GOVERNMENT  
TO GERMANY PD

PARA TWO PD BOTH ITALIAN GOVERNMENT AND USRA DISCLAIM ANY  
KNOWLEDGE OF SUCH SHIPMENTS AND WILL APPROVE THEM ONLY IF  
EXCHANGED FOR GERMAN PRODUCTS WHOSE REPORT IS SATISFIED BY  
ABLE NINE GEORGE GERMANY PD

Copy for info Economic Section

ROUTINE

FOOD & AGRICULTURE BRANCH

263

See N202  
R. R. SHAFER, LT. COL. DIRECTOR,

3541  
RICHARD F. PIERCE  
CWO. USA. Asst. Asst.

*Buy Can*

C 60441  
AUG 261706 B

4025 *40*

*200*  
H/6044  
AUG 270930 B  
ROUTINE

AFHQ FROM G-5  
ALCOM ROME

AUG 29 1946

## UNCLASSIFIED.

At request USFET MR GEORGE QUALES and S/ SGT ALDABART of OMG BAVARIA have been authorised to contact Officials of chamber of commerce of BOLOGNA, VERONA, PADOVA and MILAN in connection with shipment of parcels of food, fruit, and vegetables being made by Italian Government to Germans. Are these shipments actually being made with knowledge and consent of Italian Government and does UNRRA agree query.

AC DIST

ACTION ECDN SEC 3  
INFO CHIEF COMMISSIONER  
FOOD & AGRIC 2  
FILE  
FLOAT 2

3340

CSO

Send reply to this for CC to see  
H/27/1000

*n/3*  
P.A.  
H/27/1000

44044-4025 91  
199  
RESTRICTED

ALLIED FORCE HEADQUARTERS  
APO 512

EXTRACT FROM ADMINISTRATIVE MEMORANDUM NUMBER 8 of 25 April 1946.

Local Procurement in Italy -- Requisition or Purchase of Italian Imported  
Items.....I  
Military Exports from Italy of Locally Procured Items.....II

.....  
II -- MILITARY EXPORTS FROM ITALY OF LOCALLY PROCURED ITEMS

6. Local Italian purchases which have been paid for either in lire or charged directly to the Italian Government have been made and are being made by Allied Services procurement agencies for export for the direct support of Naval, Air and Ground Forces in countries other than ITALY. Some of these commodities are exported direct and others are stock-piled for general military use and are subsequently exported as a normal Service issue.

7. Records will be compiled and maintained of all military exports from ITALY which have taken place since 31 August 1945, i.e., the date of termination of combined military responsibility for the provision of essential civil supplies.

8. These records will be compiled and maintained by the Chief Accountant, Allied Supply Accounting Agency and procuring agencies will notify him within two months of the publication of this memorandum.

a. The actual quantities of all military exports effected between 1 September 1945, and the present time and the price paid therefor (or the lire value if not a cash transaction) and:

b. The actual quantities of all future exports and the price paid therefor (or for the lire value if not a cash transaction).

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

3339  
44044/EC  
PA 2  
3  
RB

198

RESTRICTED

LIST OF RESTRICTED ITEMS

- (a) All foods other than fruits and vegetables.
- (b) Livestock.
- (c) Lumber, building materials and allied products.
- (d) All fuels.
- (e) All medical supplies.
- (f) Agricultural machinery, pesticides, fertilizers, and seeds.
- (g) Steel and steel products.
- (h) Non ferrous metal and non ferrous metal products.
- (i) Cellulose, paper, and paper products.
- (j) All other materials, raw, finished and semi-finished, that are imported, at least in part.
- (k) Articles manufactured from imported items.

RESTRICTED

3338

1974

INCOMING 220340Z

RECEIVEDS ALLIED COMMISSION

Originator's Reference: WCL 34766

Message Centre No: H/2210

Date/Time of Origin: 191456Z

Leads Time Rec'd: APRIL 200900

Proceedings: ROUTINE

INFO: WAR FROM CG CIVIL CASE

TO: ALL BATTALION LONDON AREA ALSO HOLD NO ALLIED COMMISSION FOR ACTION

INFO:

INFO: AREA FOR REVIEW AND FOR OFFICE FOR ALSO SOLICITATION.

UNCLASSIFIED THIS 15 COM 422

REF: WCL 537, 536, WCL 149 (POL)

2. REF WCL 537. YOUR INTERVIEW OF 144 743 WITH REFERENCE TO ALLIED COMMISSION  
 FURNISHING THE FORMATION REGARDING ALL ITEMS IS CONFIDENTIAL. DEFINITE INSTRUCTIONS  
 WILL BE MADE IN THE INTERVIEW. ALSO ADVISE THAT CONFIDENTIALITY WILL BE ENFORCED  
 BY ITALIAN GOVT. TO ASSURE THAT THE RESPECTIVE POL ITEMS WILL BE MADE  
 CONFIDENTIAL TO HELP OF RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BRING HOME  
 CASE FOR PENDING ALLOCATION REQUEST ARE ACTED UPON TO BE RECEIVED DIRECTLY TO...  
 THE ITALIAN TECHNICAL DELEGATION FOR FURTHER SUBSEQUENT ACTION  
 LARGE UNCLASSIFIED CASES, OF COURSE, CONTINUE TO BE RECEIVED BY THE ITALIAN  
 GOVT. TO THE COMBINED ITALIAN COMMISSION

THESE AND ITALIAN TECHNICAL DELEGATION WILL DISCUSS IN CASES WITH SOME UNCLAS  
 ASPECTS OF OR DISCLOSE LONG COMBINING INDIVIDUAL ITEMS IN WCL AUGUST 149  
 APPLICABLE FOR RECEIVING FOR SECOND HALF 1946

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DECLASSIFIED: THIS 13 COR 422

REF 400 537, 536, 400, 400, 400, 400

1. REF 400 537. YOUR INFORMATION OF THE 743 WITH RESPECT TO ALLIED COMMERCE  
THREATS AND ITS FUNCTION REMAINS AS IT WAS IS CONFIRMED. DEFINITE INVESTIGATIONS  
WILL BE MADE IN THE NEAR FUTURE. ALSO ADVISE THAT COMRADE WILL BE EMPLOYED  
BY ITALIAN GOVT. TO ASSIST IN THE RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE  
CONTRIBUTIONS TO BUILD UP RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE  
FOR THE RECONSTRUCTION OF ITALY. ALSO ADVISE THAT COMRADE WILL BE EMPLOYED  
BY ITALIAN GOVT. TO ASSIST IN THE RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE  
CONTRIBUTIONS TO BUILD UP RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE

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BY ITALIAN GOVT. TO ASSIST IN THE RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE  
CONTRIBUTIONS TO BUILD UP RECONSTRUCTION OF ITALY. ARRANGEMENTS FOR BEING MADE

RECEIVED

70 APR 1946

A. C.

UNITED STATES CIVIL SERVICE DIVISION

III

4025 86

196

REF: 22/L.53

19. April 1946

APR 19 1946

My dear Prime Minister:

Your Government by now, will have received communications from the American and British Ambassadors that, from a date to be notified by Allied Commission, the Italian Government will have the right of direct access through its Embassy in Washington, to the Combined Food Board and to the Combined Commodity Committee in order to obtain allocation of goods, falling outside the UNRRA program, which are in short supply throughout the world. These are contained in the Reserved Commodity Lists consisting of the Reserved Commodity List of the Combined War Materials Board and the Reserved Commodity List of the Combined Food Board forwarded to the Ministry of Foreign Trade under AC/5207/12/Day/Commerce dated 8th January 1946.

It is desired therefore to inform your Government that, as from 21st April 1946, Allied Commission will no longer act as a channel for the obtaining of allocations of Reserved Commodity items for the Italian Government from the Combined Boards, Washington.

All correspondence received from the Ministry of Foreign Trade regarding requests for allocations of Reserved Commissions and held in suspense awaiting a decision from the Combined Boards to the overall allocations requested from Washington by EXAMINATION 149 on behalf of your Government's import requirements for the remainder of 1946, are being passed, in list form, to the Ministry of Foreign Trade. These will now require authorization from this Ministry when notification of such allocation is received by your Government, through the channel indicated in paragraph one above.

132

195

- 2 -

Copies of all MCC Signals, sent to Washington by Allied Commission requesting allocations of Reserved Commodities, and to which no reply to date has been received, will be forwarded to the Ministry of Foreign Trade.

Yours very truly,

M. S.

Brigadier  
Acting Chief Commissioner

Doti. Aloise De Gasperi  
President of the Council of Ministers  
Italian Government  
Rome

Distribution

Office of the Chief Commissioner  
Office of the Executive Commissioner  
A.V.P. Economic Section  
Ministry of Foreign Affairs  
Ministry of Foreign Trade  
United States Embassy  
British Embassy  
Commerce Branch

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Ex. Cont. 194

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APRIL 11 1964

BY 1933

APR 13 1946

OF PLANTING

ACADEMY VIRGINIA FROM GENERAL WASHINGTON  
APR 13 1961  
OF VIRGINIA  
AND ALONG INFO: SA, DEB 13 CAME MOVEMENTS TRINITY FOR CAPITALS NOW FOR  
GENERAL NOTE

## UNCLASSIFIED

1. All leading representatives from Economic and Finance Divisions to Venedice to take opportunity presence there AFHQ and Alcon representatives on WEHRA Conference on 15 th April to discuss financial arrangements for use of Servizio/Trieste line and Port of Trieste for general export and import purpose I E for Austrian world trade.
2. Consider it now matter of urgency to set up arrangements on lines as normal as possible and to clear ground without delay for possible Italo-Austrian talks in this regard.
3. Representatives will be Lt Col HANSEN Economic and Lt Col Beck Finance who are also joining Transport Division representatives for railway discussions at Villach on 17th April. They will require visit Trieste for discussions with Port Detachment.
4. Would be grateful if AFHQ and Alcon representatives attending WEHRA Conference could be briefed on this subject.

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ACTION - THIS RM  
FINANCIAL RM  
INFO - CHIEF COMMISSIONER  
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23 APR 1946

MS. 1514

1/15

HEAVY

ALLIED FORCES HEADQUARTERS  
APO 512

ADMINISTRATIVE MEMORANDUM )

NUMBER :

March 1946

LOCAL PROCUREMENT IN ITALYI. REQUISITION OR PURCHASE OF ITALIAN IMPORTED ITEMS1. General

Civil imports for ITALY (with the exception of VENETIA and ULLA

and the province of Udine) are no longer a military responsibility. The import of civil supplies including coal is now the responsibility of civilian agencies working directly with the Italian Government. Assistance where necessary, is given by the Allied Commission.

2. Allied Service procurement agencies have in the past obtained many of their requirements by local procurement in ITALY and it is appreciated that this practice cannot be terminated at short notice.

3. Future Policy

It is not desirable that Allied Forces should restrict their local procurement of articles included in the Italian Civil Import programme or manufactured wholly or partially from items included in the Italian Civil Import programme to essentials which are urgently required and cannot be procured in time from any other sources.

4. Procedure

a. Under para 7 of Section II of AFHQ Administrative Memorandum No. 54 of 1945 it is laid down that no items which are included in the Italian Import programme or articles manufactured from items included in the Import programme will be procured without prior reference to the CAO through G-5 Section, AFHQ. Appendix "A" to this instruction extends the list of Restricted Items to include all those items included in the Italian Import programme or articles manufactured from items included in the Import programme and cancels the list of Restricted Items in Appendix "A" to AFHQ Administrative Memorandum No. 54 of 1945.

b. With effect from the publication of this instruction local procurement by Allied Forces of items on the revised list of Restricted Items will be dealt with according to the procedure in AFHQ Adm. Memo No. 54 of 1945, Section II, para 4. If the Italian Ministry or any representative states that no surplus above essential civil needs exists that the items being procured are included in the Italian Import programme or are

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2. Allied Service procurement agencies have in the past obtained many of their requirements by local procurement in ITALY and it is appreciated that this practice cannot be terminated at short notice.

### 3. Future Policy

It is not desirable that Allied Forces should restrict their local procurement of articles included in the Italian Civil import programme or manufactured wholly or partially from items included in the Italian Civil import programme to essentials which are urgently required and cannot be procured in time from any other source.

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b. With effect from the publication of this Instruction local procurement by Allied Forces of items on the revised list of Restricted Items will be dealt with according to the procedure in AFHQ Adm. Memo No. 54 of 1945, Section II, para 4. If the Italian Ministry or AFHQ representative states that no surplus above essential civil needs exists in that the items being procured are included in the Italian Import programme or are manufactured from items included in the Import programme and it is still desired to make the purchase the Allied Service procurement agency concerned will forward to the CAO through G-5 Section AFHQ a full justification for the procurement which will include:-

- i. Project for which required and urgency.
- ii. Raw materials required to complete project.
- iii. Availability of raw materials from military or

other sources.

c. Before forwarding the application to CAO, G-5 will add their comments which will include:-

- i. Extent to which raw materials to be provided from civil sources form part of the Italian civil import programme.
- ii. Recommendations of appropriate relief agency in ITALY. (Allied Commission or UNRRA as the case may be.)

d. The only exception to the above will be existing uncompleted contracts and in cases where procurement has already commenced prior to contract being effected, providing such procurement does not continue for more than TWO months from the date of publication of this

- 2 -

Instruction. Procurement agreements continuing longer than TWO months will be reviewed in accordance with para 4 b. and c. above.

5. When procurement authority has been obtained in accordance with the above procedure, Allied Commission will ensure that C.I.A.I. accord priority release of materials to the extent authorized for military purposes.

## II. MILITARY EXPORTS FROM ITALY OF LOCALLY PROCURED ITEMS

6. Local Italian purchases which have been paid for either in lire or charged directly to the Italian Government have been made and are being made by Allied Services procurement agencies for export for the direct support of Naval, Air, and Ground Forces in countries other than ITALY. Some of these commodities are exported direct and others are stock-piled for general military use and are subsequently exported as a normal Service issue.

7. Records will be compiled and maintained of all military exports from ITALY which have taken place since 31 Aug 45 i.e., the date of termination of combined military responsibility for the provision of essential civil supplies.

8. These records will be compiled and maintained by the Chief Accountant, Allied Supply Accounting Agency and procuring agencies will notify him within two months of the publication of this memorandum:

a. the actual quantities of all military exports effected between 1 Sep 45 and the present time and the price paid therefore (or the lire value if not a cash transaction) and,

b. the actual quantities of all future exports and the price paid therefor (or the lire value if not a cash transaction).

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

Ref: ES/153

5 April 1946

SUBJECT: Reserve Commodity List

APR 9 1946

TO : Executive Commissioner

1. A meeting was held in my office on this date with Lt. Col. Timmons, Capt. Rothery, Mr. Simmons of the British Embassy, and Mr. Ainsworth of the United States Embassy, to discuss the transfer of responsibility to the Italian Government for making representations to the Combined Food Board and to the Combined Commodity Committees. Mr. Ainsworth presented the attached draft of a note verbale from the United States Embassy. Mr. Simmons presented the Foreign Office instructions to the British Embassy, which followed much the same line as the note verbale which had been prepared by the United States Embassy.

2. The problem: How and when to accomplish transfer of RCL functions from the Allied Commission to the Italian Government.

3. View of the Economic Section: It is believed that, following the transmission of notes from the Embassies to the Italian Government, ALCOM should advise the Italian Government of its intention to cease the RCL function as of a stated date. (This should be an early date.) ALCOM should further inform the Italian Government on all cases now pending before the Combined Boards and suggest that further representation to the Boards or Committees be made through Italian Embassy channels.

4. Mr. Ainsworth's Views: It appeared to be the view of Mr. Ainsworth that as a condition precedent to the turn-over, the Italian Government should indicate how it will carry on the functions after they are transferred. It is also to be noted that the United States draft touches on commodities not in the RCL list but on the United States "positive list". The "positive list" is a United States export control list from which importing countries likewise have to obtain allocations.

5. Mr. Simmons' Views: Mr. Simmons felt that the British note would probably be confined more closely to the transfer of RCL responsibilities. It appears that there are also commodities, the export of which is controlled from Great Britain, in a letter somewhat similar to the "positive list".

6. A further discussion will be held on this subject early next week after the notes have been transmitted. Hence this is but an interim report.

*Charles W. Walton*  
CHARLES W. WALTON  
Colonel, AC  
Acting Vice President

3539

Encl. 1 - Note Verbale

187

Draft

## NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Royal Ministry of Foreign Affairs and has the honor to submit the particulars of information now received from the Department of State regarding the manner in which Italian foreign trade may be brought within the framework of the international (Combined) allocating bodies insofar as concerns the movement of commodities which are in short supply throughout the world and which, accordingly, are subject to international controls on a cooperative basis.

It is the Embassy's understanding that the Italian Government is disposed to act in harmony with other nations toward accomplishment of the objective sought, which is to obtain an equitable distribution of scarce commodities among the several claimant countries, and that to that end the Italian Government will take such steps as may be necessary to obtain and administer the import allocations recommended for Italy to assure that any surpluses of scarce commodities which may be available for export from Italy are notified to the international allocating bodies concerned for equitable distribution among other countries and subsequently exported in accordance with the recommendations of the allocating bodies.

The Embassy is informed by the Department of State that the Italian Government will in the future have the right of direct access to the Combined Food Board and to the Combined Commodity Committees. Such approach on behalf of Italy has in the past been maintained through combined military channels. The Commerce Sub-Commission of the Allied Commission will no longer be available as a channel of communication with the appropriate authorities in Washington, effective upon an early date to be mutually decided between the Italian Government and the Allied Commission, and the Italian Government will thereafter be able to maintain direct contacts with the allocation bodies concerned through its Embassy in Washington. By such direct contact the Italian Government may seek to meet its requirements for materials outside of the current UNRRA program, which are still under international allocation. Correspondingly, it may so keep the international bodies informed regarding any surpluses of commodities under allocation which are available in Italy for export.

With regard to Italian import requirements of commodities

under allocation

-2-

under allocation (RCL items), it is requested that Italian requirements be submitted if possible in the form of over-all annual or semi-annual programs, rather than on an ad hoc basis, and that the requirements be coordinated with the Italian Mission of UNRRA in order to avoid duplication with the UNRRA program. Notification that such action has been taken should be indicated in the Italian program of requirements, for the information of the international committees concerned. In order to facilitate consultations with the Combined Food Board and other committees, it is hoped that the Government will also transmit copies of the Italian programs of requirements, and later alterations or subsidiary requests, to this Embassy and also to the British Ministry of Food Mission in Rome.

Inasmuch as the Italian Government has already submitted through the Allied Commission a preliminary program of import requirements for 1946 for commodities under allocation, and has coordinated those requirements with the Italian Mission of UNRRA, the Embassy recognizes that the suggestions transmitted by the Department of State as set forth in the preceding paragraph are already known to the Italian Government, and are therefore repeated here only for corroboration in connection with subsequent amendments or additions to the initial program.

With regard to Italian exports of commodities under allocation, which may consist largely of cotton yarn and piece goods and of certain foodstuffs, the Department of State suggests that

(a) the Italian Government may soon expect to be informed regarding the exact manner in which Italy will be associated with the Combined Textile Committee in Washington, for this matter is presently under discussion, and that

(b) Italian exportable surpluses of foodstuffs which are subject to international allocations should be communicated at the same time through Italian Embassy channels to both Washington and London; that is, to the Combined Food Board in Washington, and to the Food and Agriculture Sub-Committee of the Emergency Economic Committee for Europe (EACE) in London.

In that connection, the Department of State understands that Italy will shortly be invited by the EACE to associate herself with the various activities of that body in which Italy may have an interest and, in particular, with the Food and Agriculture Sub-Committee.

In transmitting the foregoing information, the Embassy believes it opportune to seek the views of the Italian

Government

Government regarding the procedures which the Government proposes to adopt in order to (a) coordinate its program for importing materials subject to international allocation with the program of imports of the same commodities by UNRRA, so that conflict of the latter with purchases by Italian Government purchasing missions abroad or by private Italian importers may be avoided, (b) to administer the import quotas allocated to Italy by international bodies in such a manner that the quotas are neither exceeded (at the expense of other claimants) nor incompletely utilized (to Italy's own loss), and (c) to control the destination of surpluses of scarce commodities which are available for export, so as to conform to the distribution patterns recommended by international allocating bodies.

The Embassy has particular interest in receiving a detailed reply to these inquiries (perhaps direct from the Ministry of Foreign Trade, which is understood to be the competent agency under existing legislation) in view of the fact that the United States is not only a leading supplier of many of the commodities subject to international allocation but also maintains export controls (through its "prohibited list") over a number of additional commodities which Italy may wish to import and for which Italy must accordingly request allocations, involving administrative problems and procedures similar to those resulting from international allocations.

In that connection the Embassy takes this opportunity to restate its desire to be of assistance to the Government with regard to any aspects of trade relations between the United States and Italy which may be in need of clarification, and its desire to cooperate with the Government and with other interested agencies in any committee or other coordinating body which the Government may suggest for dealing with these important trade problems.

Copies of this communication have been sent to the Allied Commission, the Italian Mission of UNRRA and to the British Embassy, which it is understood is addressing a similar note to the Royal Ministry of Foreign Affairs.

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SECRET

HEADQUARTERS ALLIED COMMISSION  
AFO 394  
ECONOMIC SECTION

SECRET

13091/P

1 April 1946

SUBJECT : Coordination of Military Procurement  
in Italy with Civilian Supply Programs.  
TO : Assistant Chief of Staff,  
G-5 Section, AFHQ.

191

1. I refer to your letter F-10 of 26 March, 1946, entitled "Requisition or Purchase of Italian Imported Items and Military Exports of Locally Procured Items".

2. The suggested list of restricted items, prepared by U.N.R.R.A. and concurred in by this Headquarters, is as follows:

- (a) All foods other than fruits and vegetables.
- (b) Livestock.
- (c) Lumber, building materials and allied products.
- (d) All fuels.
- (e) All medical supplies.
- (f) Agricultural machinery, pesticides, fertilizers, and seeds.
- (g) Steel and steel products.
- (h) Non ferrous metal and non ferrous metal products.
- (i) Cellulose, paper, and paper products.
- (j) All other materials, raw, finished and semi-finished, that are imported, at least in part.
- (k) Articles manufactured from imported items.

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see Min 184  
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3. We note that the financial settlement statements that appeared in the first draft have now been eliminated. We recommended, in para. 2 of our 13091/P of 29 March, 1946, that this be done.

4. We would recommend that para. 4, g., ii, be revised to read, "Recommendations of appropriate relief agency in Italy (UNRRA for procurement in Italian Government territory; AMS Udine for Udine Province, AMS Venezia Giulia for Zone "A", Venezia Giulia)".

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5. As regards para. 5 in the draft Administrative Memorandum, we would recommend that it be revised to read as follows, "When procurement authority has been obtained in accordance with the above procedure, G-5 Section will, through the Allied Commission, ensure that the Italian Government accord priority release of materials to the extent authorized for military purposes". We suggest the elimination of reference to C.I.A.I., as it is undesirable to attempt to state just which organ of the Italian Government will handle the function for the Government. The function of approaching the Italian Government in Rome for the necessary releases can later be transferred, by amendment to the Administrative Memorandum, to the Advance G-5 contemplated by FAW 650.

Colonel, U.S. Army  
Acting Vice President

CHARLES W. WALTON, Col.  
Acting Vice President  
Economic Section.

ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

Ref: P-10

26 March 1946

SUBJECT: Requisition or Purchase of Italian  
Imported Items and Military Exports of  
Locally Procured Items.

TO : Headquarters, Allied Commission, APO 394  
(Attn. Economic Section)

Reference AFHQ letters P-10 date 15 February 1946, 25 February 1946,  
and 21 March 1946.

1. Enclosed is revised draft Administrative Memorandum divided into two  
sections. The first providing for the control of requisitions or purchases of  
Italian imported items, and the second providing for the recording of all  
military exports from ITALY, or locally procured items, since 31 August 1945.

2. This draft Administrative Memorandum has not yet been co-ordinated  
with Staff Branches and Services as we have not yet received the revised list  
of restricted items which will form the basis of Appendix "A" to this Memorandum.

3. Your comments, and early return of this draft Memorandum together  
with your proposed list of restricted items will be appreciated.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

*A. L. Hambley*  
A. L. HAMBLEY  
Brigadier General, GSC  
Assistant Chief of Staff, G-5

Incl.

Copy to: C.A.O.

NOT 30 1946

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13091/P

24 March 1946  
MAR 29 1946

SUBJECT : Military Exports from Italy.

TO : Assistant Chief of Staff  
G-5 Section, AFHQ.

1. I write with reference to your letter P-10 of 21 March, 1946, subject as above.

170 2. I am in full agreement with the statement in your paragraph 1 that the question of payment is one for ultimate decision by the U.S. and U.K. Governments. However, the immediate question raised in my letter 13091/P of 6 March, 1946, related rather to the keeping of adequate records, and I pointed out in my paragraph 4 that the financial treatment of military exports from Italy involved Peace Treaty considerations. The question of records would appear to be a matter of combined interest and therefore of concern to GCS. If the final decision of your HQ is that no records prior to 1 September, 1945, are to be kept, I would recommend that paragraph 3 of the draft Administrative Memorandum be revised to state such decision as a fact, and that all reference as to the ultimate financial settlement be omitted.

3. As regards your paragraph 2, I was not aware that any military exports effected at the present time by U.S. forces in Italy are paid for by dollar credits. I am under the impression that the only current dollar credits the Italian Government receives from the U.S. Government on military account arise from U.S. net troop expenditure and the encashment of dollar checks held by repatriated Italian ex-POW. Since U.S. military purchases of Italian goods and services are not at the present time reflected in dollar credits, but rather are chargeable as occupation costs, I should be grateful for information as to

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what procedure is used, either within the Theatre or in Washington, to segregate military export expenditure, in order that such expenditures are matched by current dollar credits.

4. I have one further general comment on the draft memorandum. As regards paragraph 4 (a) (iv), inasmuch as U.N.R.R.A. has had from 1 January, 1946, the responsibility for the United Nations supply program for Italy, I feel that where the Italian Government state in the case of any commodity that no surplus above essential civil needs exists, the Service desiring to effect the purchase should include in its presentation of the case the recommendation of U.N.R.R.A. rather than that of the Allied Commission.

*W. Ellery W. Stone*

ELLERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner

3322

4025  
ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

Exec Comm  
1B

Ref: F-10

21 March 1946

MAR 30 1946

SUBJECT: Military Exports from Italy

TO : Headquarters, Allied Commission  
APO 394

Reference your letter 13091/F dated 6  
March 1946.

1. It is considered that the question of payment for their respective military exports from Italy is one for independent decision by the British and U.S. Governments rather than by the Combined Chiefs of Staff.

2. Exports for U.S. purposes have greatly diminished and those that are continuing are being paid for by dollar credits. It is understood that no question is raised in respect to U.S. purchases.

3. The problem therefore only concerns exports by the British. War Office advice has been sought as to whether or not records should be kept of military exports and as to whether or not the Italian Government should receive any compensation for such exports. War Office have advised that, while records should be kept of military exports, the question of financial settlement should be left open for the Peace Treaty. There is no intention therefore to provide in the administrative memorandum for anything more than the keeping of records of exports being made by the military.

4. In regard to the comments in para. 3 of your letter, from a military point of view it is very doubtful whether accurate records even as far back as 1 September 1945 can be provided, and, if an earlier date were selected, the records would be even more inaccurate. Further, as prior to 1 September 1945 civil supplies were a combined military responsibility, it would be impracticable to work out how much of the excess of exports over imports is a legitimate credit to the Italian Government.

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5. The draft memorandum forwarded with our letter P-10 dated 25 February 1946 had not been agreed by other staff branches prior to despatch and it is likely to be modified considerably before publication. It would be appreciated, therefore, if you would forward any further comments or proposed amendments to the draft in light of the policy outlined above, so that these can be considered when the memorandum is re-drafted.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

(Sgd) Parsons, Brigadier

for A. L. HAMBLIN  
Brigadier General, GSC  
Assistant Chief of Staff, G-5

Copy to: CAO

3320

ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

20 March 1946

Dear Carr

On 11th March, I asked Lush to hasten the submission by AC, of the list of "Local Resource" items which they considered should be included in the "Restricted" list referred to in para 4 of our letter, F-10 dated 15 February 1946.

In reply, Lush has referred me to AC letter ref. 13091/F of 6 March. This letter unfortunately deals with a different subject, and is in fact, a reply to our letter F-10 of 25 February 1946.

Will you please, therefore, hasten AC reply to para 4 of this HQ letter ref. F-10 dated 15 February 1946, as, pending its receipt, the question of "Co-ordination of Military Procurement in Italy with Allied Civilian Supply Programmes" cannot be pursued.

Yours sincerely,  
*P. Carr*  
Brig. M. Carr,  
Executive Commissioner,  
Allied Commission.

*c/o Major H. [unclear]  
Please let me have file early*

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IMMEDIATE ACTION - RECON SEC

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(MAY H)

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Ref: 4025/175/20

March 1946

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On March 14th you called my attention to para 3 of F-10 dated 25 February 46 and asked for a reply. I find that a reply was sent in our 1309/P dated 6 March 1946.

(Sgd) W. S. Lusk

Brigadier F.G.A. Parsons  
Deputy Asst. Chief of Staff  
G-5, AFHQ.

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13091/P

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6 March 1946

MAR 7 1946

SUBJECT : Military Exports from Italy

TO : Assistant Chief of Staff  
G-5 Section  
APHQ 164

1. I write with reference to your letter P-10 of 25 February, 1946, regarding military exports from Italy.

2. Analysis of the draft Administrative Memorandum attached to your letter reveals the following different points of view:

(a) Allied Commission's recommendations to you for suggested forwarding to GCS:

(i) the Italian Government, to offset its obligations to the Allied Governments, should receive credit for supplies exported on a military basis prior to 1 September, 1945, the date of termination of the combined military responsibility for civilian supply imports into Italy;

(ii) for military exports from Italy after such date, the Italian Government should receive current reimbursement in foreign exchange.

(b) APHQ's preliminary views:

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(i) military exports prior to 1 September, 1945, are deemed to be a proper charge against the Italian Government, and no records of such exports are to be kept;

- ( (11) after that date the Italian Government would be credited with the value of all military exports as an offset against the Italian debt to the Allied Governments.

122  
3. You indicate in your paragraph 2 that the immediate need is for a clear-cut accounting procedure whereby all military export costs can be segregated to allow of ultimate adjustment. I am in accord with this view and the draft Administrative Memorandum attached to my letter 20.00 of 14 December, 1945, entitled "Coordination of Military Procurement in Italy with Allied Civilian Supply Program" suggested an accounting procedure which would record all military exports prior to 1 September, 1945, as well as ones subsequent to that date. The memorandum attached to your letter would not if issued provide any record for the period prior to 1 September, 1945, and thus would not appear to constitute the "proper accounts" mentioned in your paragraph 3. The question of maintaining suitable records is, I suggest, separate from the question of the type of credit (current or eventual offset) that Italy should receive for military exports.

4. I would also suggest that a decision at this time on the financial treatment of military exports from Italy involves high policy questions which may be considered in connection with the Italian Peace Treaty. Paragraph 3 of your draft Administrative Memorandum seeks to make a determination within the Theatre which, in my view and that of the U.S. and British Embassies, can only be made by CCS. You may therefore wish to reconsider my recommendation that the whole question be laid before CCS for decision.

3316

WILLIAM V. STONE  
Rear Admiral, USNR,  
Chief Commissioner.

COPY

4025-48

ALLIED FORCE HEADQUARTERS  
G-3 Section  
APO 512

Ref: F-10

25 February 1946

SUBJECT: Military Exports from Italy

MAR 7 1946

TO : Headquarters, Allied Commission, APO 354

Reference your letter 20.00 dated 14 December (paras 7 - 9) and 10c) and your letter 30.00/18 of even date (Financial Problems).

1. The problem of military exports is now largely a matter of accounting for the past. At present all such exports have ceased on American account and are much reduced on British account. A British Administrative Instruction is about to be issued which will minimize procurement from Italian sources both for use within ITALY and for military export. This instruction will further ensure that the interested agency (e.g. Allied Commission or USMRA) will in all instances have an opportunity of screening such requirements against the Italian civil import programme before procurement is authorized.

2. While it is agreed that ITALY should not bear the ultimate cost of military exports it is difficult to justify the placing of dollar/sterling credits to the value of such exports at her disposal. The Italian debt to the Allies is enormous and, with the contribution to USMRA, is continually increasing. Thus the equitable course is to allow the value of these exports as a paper credit to ITALY thereby reducing her total indebtedness. The immediate need is a clear cut accounting procedure whereby all military export costs can be segregated to allow of ultimate adjustment.

See memo

PA. 7/3

(Max H) 3/2/46

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- 2 -

3. In order to ensure that proper accounts are available, an Administrative Memorandum will be published in the near future. A preliminary draft, not yet cleared at AFHQ is attached for your information and for such comments as you may wish to make.

4. It is not considered feasible to place future military exports on a commercial basis. British Administrative Instruction and the AFHQ Administrative Memorandum about to be published should have the effect of reducing the volume of military exports to almost negligible proportions.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

(Sgd) P. G. A. PARSONS,  
Brigadier,  
Acting Assistant Chief of Staff, G-5.

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Copy to: SAC.

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ALLIED FORCE HEADQUARTERS  
G-5 Section  
AIO 512

ADMINISTRATIVE MEMORANDUM)

NUMBER : )  
March 1946

SUBJECT: Military Exports from Italy

1. Local Italian purchases, which have been paid for either in lire or charged directly to the Italian government, have been made and are being made by Allied Service Procurement Agencies for export for the direct support of naval, air and ground forces. Some of these commodities are exported directly and others are stockpiled for general military use and are subsequently exported as a normal service issue. All such military exports are a double burden on ITALY in that they are a money charge against the Italian treasury and a commodity loss to the economy of the country.

2. It is contrary to the instructions of the Combined Chiefs of Staff for ITALY to export commodities which are being imported under the Italian Import Plan, or which are manufactured from commodities imported under that Plan without approval of the Allied Commission. These restrictions will apply to Military Exports. In order to comply with these instructions it is necessary for procuring agencies to be kept currently informed concerning those commodities which may not be exported.

3. Military exports prior to 1 September 1945, the date of termination of Combined Military responsibility for the provision of essential civil supplies, are deemed to be a proper charge against the Italian Government. After that date, however, the Italian Government will be credited with the value of all military exports as an offset against the Italian debt to the Allied Governments.

1. Local Italian purchases, which have been paid for either in lire or charged directly to the Italian Government, have been made and are being made by Allied Service Procurement Agencies for export for the direct support of naval, air and ground forces. Some of these commodities are exported directly and others are stockpiled for general military use and are subsequently exported as a normal service issue. All such military exports are a double burden on ITALY in that they are a money charge against the Italian treasury and a commodity loss to the economy of the country.

2. It is contrary to the instructions of the Combined Chiefs of Staff for ITALY to export commodities which are being imported under the Italian Import Plan, or which are manufactured from commodities imported under that plan without approval of the Allied Commission. These restrictions will apply to Military Exports. In order to comply with these instructions it is necessary for procuring agencies to be kept currently informed concerning those commodities which may not be exported.

3. Military exports prior to 1 September 1945, the date of termination of Combined Military responsibility for the provision of essential civil supplies, are deemed to be a proper charge against the Italian Government. After that date, however, the Italian Government will be credited with the value of all military exports as an offset against the Italian debt to the Allied Governments.

4. The following restrictions will govern the military export from Italian territory of any commodity procured in ITALY.

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(a) With effect from the publication of this instruction all local procurement by Services will be dealt with according to the procedure in APHQ Adm Memo No. 54 of 1945, Section II, para 4. If the Italian Ministry states that no surplus above essential civil needs exists and it is still desired to make the purchase, the Service concerned will forward to the CAO through G-5 Section APHQ a full justification for the procurement which will include:-

- 2 -

- (i) Extent to which items form part of the Italian Civil Import Programme.
- (ii) Project for which required and urgency.
- (iii) Availability from Military or other sources.
- (iv) Recommendations of appropriate relief agency in ITALY (Allied Commission or USFRA, as the case may be).

(b) Upon export, the procuring agency will notify the Chief Accountant, Allied Supply Accounting Agency of the actual quantities exported and the price paid therefor (or the lire value if not a cash transaction).

5. In order to ensure that records of such military exports are complete, procuring agencies will notify the Chief Accountant Allied Supply Accounting Agency of all military exports effected between 1 September 1945 and the present time.

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

W/ci

NS-425.1

18 February 1946

SUBJECT: Termination of IT Program

TO : Interministerial Committee for Reconstruction.

1. The Italian Government has already been informed through the U.S. Embassy that the United States Government has terminated procurement for account of Italian Government as of February 1, 1946. Whatever balance is now left in the Special Troop Pay Account will be placed, with certain restrictions, at the disposal of the Italian Government.

2. As of January 15, 1946, IT requisitions will no longer be processed through the U.S. State Department, but the Department will continue to see that goods procured under IT requisitions go forward to port. Cargo coordination and expediting functions are to be taken over by the Italian Technical Delegation. Beginning with February sailings, shipping documents for all IT cargoes will be passed on to the Italian Technical Delegation for transmittal through its channels to the Italian Government. Current information on status of procurement and shipment of IT supplies will therefore no longer be available to the Italian Government through the Allied Commission.

3. Past records pertinent to the Troop Pay Deller Program are held in the Requisition Branch of the Allied Commission. They are at the complete disposal of the appropriate agencies of the Italian Government.

4. As notified to the Italian Government in the Chief Commissioner's letter of 28 January 1946, the Allied Commission will continue to forward to the combined supply authorities in Washington Italian requirements for Reserved Commodity list commodities, over and above UNRRA programs, pending other arrangements.

5. No changeover is necessary for procurement in the United Kingdom since it is already handled through the Italian purchasing agent there.

Italian Cleveland

HARLAN CLATFELAND  
Acting Vice President

3311

2. As of January 15, 1946, IT requisitions will no longer be processed through the U.S. State Department, but the Department will continue to see that goods procured under IT requisitions go forward to port. Cargo coordination and expediting functions are to be taken over by the Italian Technical Delegation. Beginning with February sailings, shipping documents for all IT cargoes will be passed on to the Italian Technical Delegation for transmittal through its channels to the Italian Government. Current information on status of procurement and shipment of IT supplies will therefore no longer be available to the Italian Government through the Allied Commission.
3. Past records pertinent to the Troop Pay Dollar Program are held in the Requisition Branch of the Allied Commission. They are at the complete disposal of the appropriate agencies of the Italian Government.
4. As notified to the Italian Government in the Chief Commissioner's letter of 23 January 1946, the Allied Commission will continue to forward to the combined supply authorities in Washington Italian requirements for reserved commodity list commodities, over and above WPA programs, pending other arrangements.
5. No changeover is necessary for procurement in the United Kingdom since it is already handled through the Italian purchasing agent there.

Harlan Cleveland

3311

HARLAN CLEVELAND  
Acting Vice President

RECOMMENDATIONS:

Chief Commissioner  
Ministry of Foreign Trade  
Ministry of Industry & Commerce  
U.S. Embassy (Att: Economic Counselor)  
British Embassy  
Italian Branch, Office of Foreign Liquidation  
U.S. State Department, Washington  
Italian Technical Delegation, c/o Italian Embassy, Washington  
Allied Commission  
Executive Commissioner  
Supply Group (Requisition Branch)  
Economic Section  
Commerce 5/3  
Finance 3/6  
WPA (Att: Chief of Mission)

1/15/46  
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1/15/46

785017

Ref: 4025/163/20.

25 February 1946.

SUBJECT: Coordination of Military Procurement  
in Italy with Allied Civilian Supply  
Programmes.

TO : A/Vice President,  
Economic Section.

1. I am afraid I have caused delay in sending you the  
attached letter (Ref: P-40 dated 15 Feb 46 from G-5 AFHQ). You  
will note that AFHQ have not dealt with military experts and a  
reminder on this point should be sent on 5th March if nothing  
has arrived by then.

2. Will you work out the list suggested in para 4 and  
discuss the matter with the Chief Commissioner and myself when  
this is ready.

ML/JG.

M S LUSH

Brigadier,  
Executive Commissioner.

3319

See 167

ML  
2/2

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in middle left.

785017

4025  
ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

Ref: F-10

15 February 1946

162  
FEB 19 1946

SUBJECT: Co-ordination of Military Procurement in ITALY  
with Allied Civilian Supply Programmes.

TO : Chief Commissioner,  
Allied Commission.

128  
Reference your letter 20.00 dated 14 December paras 1-6 and 10(a) and (b).

1. AFHQ has seen no evidence to show that military procurement in ITALY is causing "grave damage" to the Italian economy. It is doubtful whether, even during hostilities, such procurement (entirely admissible under the armistice terms) was ever on a scale large enough to injure Italian economy seriously; and now that such procurement is dwindling it is an economic inconvenience rather than an economic danger. Moreover, it should be noted that for the maintenance of internal law and order and the protection of her interests on disputed frontiers, ITALY depends in the last resort on the Allied Forces, and that it is entirely proper that she should make some contribution to their maintenance.

2. It is also not the case that the Allied Forces procure in ITALY on any considerable scale for the maintenance of the civilian population of certain liberated areas. Except in so far as Military Government authorities may in emergency draw on military stocks which contain a proportion of Italian-produced items, AFHQ has resorted to direct procurement in ITALY for civil account elsewhere only in a very few cases of grave urgency when such procurement was a matter of military necessity. Now that the Italian and Austrian Governments have set up proper procedure for regulating Italo-Austrian trade, these occasions are not likely to recur.

3. AFHQ agrees, however, with your contention that local military procurement should be properly co-ordinated with the Allied-financed civilian supply programmes, so as to ensure that materials specially imported or earmarked for the rehabilitation of ITALY are devoted to that purpose and are not diverted from it by military procurement. As far as imported supplies or items on the "restricted" list are concerned, this is controlled under AFHQ Administrative Memorandum 54 dated 31 December 1945, Section II, paras 4 and 7. 8164

161

4. AFHQ concurs in principle with the suggestion in para 6 of your letter that this control should be extended to those local resources which form an essential part of the Italian rehabilitation programme, by including them in the "restricted" list (AFHQ Administrative Memorandum 54/45 Appendix "A"). Allied Commission are, therefore, requested to work out and submit a proposed list of such items to AFHQ. They will then be examined to see how far this proposal can be adopted without undue prejudice to the needs of the Allied Forces in the theatre.

5. The question of military exports (paras 7-9 and 10(c) of your letter under reference) will be dealt with separately.

BY COMMAND OF LIEUTENANT GENERAL MORGAN

See 169

P. G. A. PARSONS

Brigadier,  
Acting Assistant Chief of Staff, G-5.

Concurred: CAO

Copy to: CAO  
Financial Adviser  
Fiscal Director  
ST  
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C/S MTO  
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3308

COPY

ALLIED FORCES HEADQUARTERS  
G-5 Section  
APO 512

Ref: F-12

13 February 1946

SUBJECT: Economic Policy - VENEZIA GIULIA

Econ Sec Distr

TO : Headquarters, Allied Commission, APO 398

ACTION: *Spplg of (1)*INFO: *See detail -*

Reference your 13260/F dated 18 Jan 46.

1. The principle to be adopted is that VENEZIA GIULIA should as far as possible be treated economically as a part of ITALY, and NOT as a separate economic entity. Under TAN 690 maximum utilization should be made of ITALIAN resources which should be provided by the ITALIAN Government without any current compensation in foreign exchange.

2. The question of customs barriers is covered by our letter E-6 of 10 Jan 46.

3. It is requested that you will acquaint the ITALIAN Government of this ruling as soon as possible and maintain your request to them to continue to ensure the normal flow of indigenous supplies into VENEZIA GIULIA. In this connection your ES/1.47/0 dated 18 Jan to the President of the Council of Ministers is noted. In conveying the ruling to the ITALIAN Government care should be taken, however, to avoid giving the impression that this ruling is to be constructed as in any way prejudging the ultimate disposal of the territory.

4. The question of the future machinery for procuring indigenous supplies for VENEZIA GIULIA in ITALY must necessarily depend on the CCS reply to MAT 965. If the proposals in MAT 965 are agreed, procurement in ITALY will continue to be handled by the Economic Section of the modified ALOCS. It will be necessary for AND VENEZIA GIULIA to set up its own procurement machinery in ITALY only if the CCS final decision follows the lines of para 2 of TAN 634.

BY ORDER OF LIEUTENANT GENERAL MORGAN

/s/ F. G. A. PARKINS,  
Brigadier,

Copy to: XII Corps for AND

CAO

Acting Assistant Chief of Staff. G-5-3307

G/S STOUGH POLARIS (US)

G-4

AG

POLARIS (Br) G-5 (Policy &amp; Control)

G-5 (Financial Advisor)

*(over)* sent  
15/2/46

- 2 -

15 Feb 1946

Economic Section Distribution

Action: Supply Group (2)

Info : Chief Commissioner  
A/VF  
Finance S/C  
Commerce S/C  
Polad (A)  
Polad (B)

3366

HEADQUARTERS ALLIED COMMISSION  
APO 394  
Commerce (Foreign Trade) Sub-Commission

Ref : AC/3203/RCL/Imp/Commerce

9 February 1946

FEB 13 1946

SUBJECT : Textiles under control of International  
Textile Committee.

TO : See distribution attached.

1. Reference is made to Appendix "A" (1) of the Reserved Commodity List which was circulated on 8 January 1945.
2. Item No. 5 (textiles) includes the phrase "cotton broad woven goods", the interpretation of which has been the subject of considerable discussion between Allied Commissions, the Italian Ministries, and private firms. Accordingly, a definition was requested from the Textile Committee who, in reply, gave the following explanation :

" The terms of reference of the Combined Textile Committee include cotton yarn and cotton broad woven goods, the definitions of which are as follows :

Cotton yarn is yarn containing 50% or more of cotton by weight for weaving, knitting or industrial purposes, including thread yarns. It does not include cotton thread, twine and cordage.

Cotton broad woven goods includes cloth twelve (12) inches or more in width woven from yarn as defined above, either in the piece or made up, containing less than 25% wool by weight, but of which the remaining fiber is 50% or more cotton by weight. For example, a fabric containing 20% wool, 35% rayon, 40% cotton is cotton, as is fabric containing 30% cotton and 50% rayon. The term "cotton broad woven goods" also includes dyed and

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P. W. TOOMEY  
Lt. Colonel, R. A.  
Director  
Commerce (Foreign Trade) S/C

*Handwritten initials and signature*

*Handwritten notes and signature*

Distribution :Office of the Chief Commissioner  
Office of the Executive Commissioner

Economic Section

Supply Group

Industry &amp; Utilities S/O

Transportation &amp; Shipping S/C

Food &amp; Agriculture S/C

Finance S/C

AC Chief Liaison Officer

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Istituto Nazionale per il Commercio Estero  
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Ref: 402V/155/21

12 February 1946

SUBJECT: Military Reports from and Military Procurement  
in Italy.

TO : Allied Force Headquarters G-2 Section

1. Reference your P- 10 dated 25 January 1946.
2. Information is requested as to whether you can now reply  
to our 20.00 and 20.00/21 of 14 December 1945.

N. W. HIND-SMITH

Brigadier  
Acting Chief Commissioner

Copy to: Records Section.

See 1628

3304

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
Commerce (Foreign Trade) Sub-Commission

Ref : AC/5203/RCL/Imp/Commerce

29 January 1946

FEB 1 1946

SUBJECT : Reserved Commodity List  
TO : See distribution attached.

1. Attached is Appendix "A" (2) - Reserved Commodity List of Combined Food Board, revised as at 21 January 1946.

2. This replaces previous Appendix "A" (2) attached to our AC/5203/RCL of 29 November, and subsequent revision AC/5203/RCL of 26 January.

3. Appendix "A" (4) (Fresh citrus fruits, citrus juices, tomato paste and canned to steers) is now cancelled entirely.

*S. K. I. Saul*  
S.K.I. SAUL  
Major, R. A.  
Deputy Director  
Commerce (Foreign Trade) S/C

Encl. as para 1

3303

( 2 )

Distribution :

Office of the Chief Commissioner  
 Office of the Executive Commissioner  
 Economic Section  
 Supply Group  
 Industry & Utilities S/C  
 Transportation and Shipping S/C  
 Food & Agriculture S/C  
 Finance S/C  
 AC Chief Liaison Officer Naples  
 " " " " Livorno  
 " " " " Bologna  
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 " " " " Venezia  
 " " " " Sicily  
 " " " " Bari  
 AC Liaison Officer (tn) Ancona  
 AMG 13 Corps  
 AMG Udine  
 British Embassy  
 American Embassy  
 French Embassy  
 French Representative to AC  
 Soviet Representative to AC  
 Ministero del Commercio con l'Estero  
 " dell'Industria e del Commercio  
 " dell'Alimentazione  
 " degli Affari Esteri  
 " dell'Agricoltura  
 " dei Trasporti  
 " delle Finanze  
 " del Tesoro  
 Comitato Interministeriale per la Ricostruzione  
 Istituto Nazionale per il Commercio Estero  
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Appendix "A" (2)

## COMBINED FOOD BOARD

Reserved Commodity List

January 21, 1946

List I covers commodities for which the Combined Food Board recommends international allocations. All of the items on List I are under combined determination of sources of supply.

List II covers commodities that are not at present under Combined Food Board allocation recommendation and has been revised to include only a relatively small number of items. Commodities remaining on List II will continue to be under close observation by the Board and it is expected that claimants will notify the Board of their requirements and prospective purchases. In respect of these commodities, claimants may proceed with procurement arrangements unless notified by the Board within 10 days following receipt of the programs that allocation will be considered by the Board.

Reference to the Board of requirements for commodities not included herein is not required.

List I - General Commodity Heading

- |                          |                                                                                                                                                 |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Animal Feeding Stuffs | Oil cakes and meals (all types); mixed feed.                                                                                                    |
| 2. Cereals               | Rice, whole and broken.                                                                                                                         |
| 3. Tartaric Acid         | Tartaric Acids, inclusive of argols, wine lees, etc.                                                                                            |
| 4. Cocoa                 | Cocoa beans, cocoa butter, unsweetened chocolate couverture.                                                                                    |
| 5. Dairy Products        | Butter; cheese, natural and processed; milk evaporated dried whole, sweetened condensed, roller skin and spray <sup>dry</sup> <sub>skim</sub> . |
| 6. Fats and Oils         | All fats and oils (edible and non-edible, including shortening and margarine); all oil bearing seeds; soap.                                     |
| 7. Fertilizers           | Nitrogenous, phosphatic (including rock) and potassic.                                                                                          |

( 4 )

- |            |                                                                                                                                |
|------------|--------------------------------------------------------------------------------------------------------------------------------|
| 8. Fish    | Salted cod, haddock, hake, cusk pollock, saithe and ling; canned fish.                                                         |
| 9. Fruits  | Dried fruit (i.e., dates, figs, apples, apricots, raisins and currants, peaches, pears and prunes).                            |
| 10. Meat   | Fresh, frozen, pickled, salted, smoked, canned, and dehydrated meat (excluding fresh and frozen poultry, rabbits and venison). |
| 11. Pulses | Dry beans, peas, lentils.                                                                                                      |
| 12. Seeds  | Alfalfa, red clover, white clover, alsike clover, and Kentucky bluegrass.                                                      |
| 13. Soap   | Soap (Note : Covered in General heading No. 6 above).                                                                          |
| 14. Spices | Cinnamon quills, mace, nutmeg, pepper, cinnamon chips.                                                                         |
| 15. Sugar  | Sugar (raw and refined).                                                                                                       |
| 16. Tea    | Tea.                                                                                                                           |

List II - General Commodity Heading

- |                 |                                                                                                          |
|-----------------|----------------------------------------------------------------------------------------------------------|
| 1. Cereals      | Wheat and wheat flour, barley, oats, rye, corn, and grain sorghams.                                      |
| 2. Seeds        | All legume and grass seeds not on List I.                                                                |
| 3. Sugar        | Molasses, syrup, honey, manufactured food containing more than 10% sugar by weight.                      |
| 4. Nuts, edible | Almonds, walnuts, pecans, filberts and Brazil nuts. (Note: Peanuts are included under item 6 of List I). |
| 5. Vitamins     | "A" oil.                                                                                                 |

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
Commerce (Foreign Trade) Sub-Commission

Ref : AC/5127/A/Commerce

29 January 1946

JAN 31 1946

SUBJECT : Foreign Trade

TO : See Distribution attached.

148

Attached, for information, is a copy of letter  
ref : AC/5127/A/Commerce dated 28 January 1946, addressed to  
the Prime Minister by the Chief Commissioner, regarding the  
relinquishment by Allied Commission of their responsibility  
for screening Italian exports.

*S. K. I. Saul*  
S. K. I. SAUL  
Major, R. ...  
Deputy Director  
Commerce (Foreign Trade) S/C

Encl. as above.

3301

See M. 151

*SC*  
(MAY 2)  
*SPK*  
*2/2/46*

*PA*  
*2/2*

(2)

Distribution :

Office of the Chief Commissioner  
 Office of the Executive Commissioner ✓  
 Economic Section  
 Supply Group (3)  
 Industry & Utilities S/C (3)  
 Transportation & Shipping S/C (3)  
 Food & Agriculture S/C (3)  
 Finance S/C  
 AC Chief Liaison Officer Naples (3)  
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 AC Liaison Officer (tn) Ancona (3)  
 AMG 15 Corps (3)  
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 British Embassy (3)  
 American Embassy (3)  
 French Embassy  
 French Representative to AC  
 Soviet Representative to AC  
 Ministero del Commercio con l'Estero (3)  
 " dell'Industria e del Commercio (3)  
 " dell'Alimentazione  
 " degli Affari Esteri  
 " dell'Agricoltura  
 " dei Trasporti  
 " delle Finanze  
 " del Tesoro  
 Comitato Interministeriale per la Ricostruzione  
 Istituto Nazionale per il Commercio Estero (6)

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148

SECRET

Ref : AC/5127/A/Commerce

28 January 1946

My dear Mr. Prime Minister :

I wish to inform you of the termination, with effect from today, of certain wartime restrictions imposed on Italy's export trade.

I refer to my letter of 31 July 1945, addressed to Professor Farri, and, in particular, to para 3 (a) and (b) thereof. The Allied Commission will henceforth cease to screen your Government's declarations of exportable surpluses. Furthermore, Italian exports will no longer be classified in the two categories "A" and "B", to which different marketing and pricing policies were applicable.

In communicating this decision to you, I would point out that this entails complete cancellation of the export policy stated in a letter, under reference AC/5127/A/Commerce, dated 18 April 1945, to your Minister of Industry and Commerce, except that certain items, which are in short world supply, and which are included in the Reserved Commodity Lists, are still subject to control by either the Combined Food Board or certain special committees in Washington.

Apart from food supplies, the number of such items has been progressively reduced so that only tin, rubber, coal, hides and cotton textiles now remain under control.

As hitherto, the Allied Commission will continue to deal with Italian requirements for the export and import of all Reserved Commodity List items until such time as the Italian Government shall be notified, through United States and United Kingdom diplomatic channels, of the manner in which they will be invited to communicate with the Combined Food Board and the various international committees.

Sincerely,

(Signed)

ELMER W. STONE  
Rear Admiral, USNR  
Chief Commissioner

3298

*See file 14150*  
Dr. Alcide DE GASPERI  
President of the Council of Ministers  
Italian Government

R O N E

Ref: AO/5127/A/Commerce

28 January 1946

JAN 30 1946

My dear Mr. Prime Minister:

I wish to inform you of the termination, with effect from today, of certain wartime restrictions imposed on Italy's export trade.

I refer to my letter of 31 July 1945, addressed to Professor Parri and, in particular, to para 3 (a) and (b) thereof. The Allied Commission will henceforth cease to screen your Government's declarations of exportable surpluses. Furthermore, Italian exports will no longer be classified in the two categories "A" and "B", to which different marketing and pricing policies were applicable.

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Apart from food supplies, the number of such items has been progressively reduced so that only tin, rubber, coal, hides and cotton textiles now remain under control.

Copy to: 6. Commissioner

&amp; Commissioner ✓

3297

See M. 147

(MAY H)

*144*  
*145*  
( 2 )

As hitherto, the Allied Commission will continue to deal with Italian requirements for the export and import of all Reserved Commodity List items until such time as the Italian Government shall be notified, through United States and United Kingdom diplomatic channels, of the manner in which they will be invited to communicate with the Combined Food Board and the various international committees.

Sincerely,

/s/ Elery W. Stone

ELERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner

Dr. Alcide DE GASPERI  
President of the Council of Ministers  
Italian Government

M C M C  
XXXXXXXXXXXX

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143

HEADQUARTERS ALLIED COMMISSION  
APO 394  
Cameroon (Foreign Trade) Sub-Commission

JAN 28 1946

Ref : AC/5203/RCL/Imp/Cameroon

26 January 1946

JAN 28 1946

SUBJECT : Reserved Commodity List.  
TO : See distribution attached.

1. The following items have been deleted from  
the Reserved Commodity List, Appendix "A" (2), of the Combined  
Food Board :

Item No. 3 - Delete Citric Acid only.

Item No. 6 - Essential Oils - all kinds used in  
food flavoring (i.e., lemon oil,  
bitter orange oil, sweet orange oil,  
tangerine oil).

see 153

*F. W. Tooby*  
*Major, RA*

F. W. TOOBY  
Lt., Colonel, R.A.  
Director  
Cameroon (Foreign Trade) S/C

3290

(101A) 504  
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Distribution :

Office of the Chief Commissioner  
 Office of the Executive Commissioner ✓  
 Economic Section  
 Supply Group (3)  
 Industry & Utilities S/C (3)  
 Transportation & Shipping S/C (3)  
 Food & Agriculture S/C (3)  
 Finance S/C  
 AC Chief Liaison Officer Naples (3)  
 " " " " Livorno (3)  
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 " " " " Bari (3)  
 AC Liaison Officer (tn) Ancona  
 AMG 13 Corps (3)  
 AMG Udine (3)  
 British Embassy  
 American Embassy  
 French Embassy  
 French Representative to AC  
 Soviet Representative to AC  
 Ministero del Commercio con l'Estero (3)  
 " dell'Industria e del Commercio  
 Dir. Gen. Commercio Estero (3)  
 " dell'Alimentazione  
 " degli Affari Esteri  
 " dell'Agricoltura  
 " dei Trasporti  
 " delle Finanze  
 " del Tesoro  
 Comitato Interministeriale per la Ricostruzione  
 Istituto Nazionale per il Commercio Estero

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4025 36 141  
ALLIED FORCES HEADQUARTERS  
G-5 Section  
APO 512  
20.00

Ref: F-10

23 January 1946  
JAN 25 1946

SUBJECT: Military Exports from and Military Procurement in ITALY.

TO : Chief Commissioner, Allied Commission, APO 394. CH

Reference your 20.00 and 20.00/ES, both dated 14 December 1945.

1. The subject matter of these letters is under discussion at present with the War Office who have asked for a ruling. When that ruling is received a detailed reply to the a/mentioned letters will be sent.

2. Until the policy of these questions is established, however, it is regretted that it is not possible to discuss the detailed problems suggested by you, which will be dealt with when the policy is received. It is anticipated that this should be towards the end of this month.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

*F. G. A. Parsons*  
F. G. A. PARSONS  
Brigadier,  
Acting Assistant Chief of Staff, G-5.

25 JAN 1946

Econ Sec Distr

Copy to:

→ Chief Commissioner (Thru Ex Comm.)

A/VP, Econ Sec

Supply Gt

Finance S/C

See M.142

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F. 155

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(MAJ A) 24/1/46

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JAN. 23 1946

ROUTINE

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JAN 23 1946

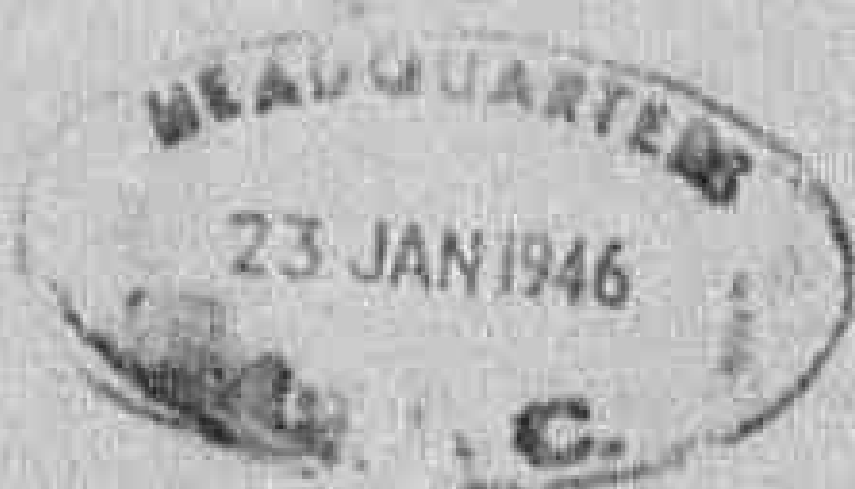
RESTRICTED.

Policy on Italian exports. Further to our 5-6 dated 24 July.  
TAM 738 date 19 January 46 is repeated to you herewith for action:  
"This is TAM 738." Refer MCC 420 (Termination of certain wartime  
restrictions imposed on Italian export trade).

1. Restrictions imposed on Italian export trade by TAM 435 and 640  
during the war are now terminated. Italian exports will no longer  
be classified as category A and B to which different marketing and  
pricing policies apply.

2. AC is relieved of responsibility of screening declarations of  
exportable surpluses (TAM 640 Paragraph 1 A) as of 1 January 1946,  
when UNRRA assumes responsibility for basic Italian program.

3. AC will continue to report RCL Items (Refer TAM 640 Paragraph  
1 B, COM 345 Paragraph 3 and Paragraph 1 above) only until the  
Italian government is notified through United States and United  
Kingdom diplomatic channels on the manner in which they will be  
invited to report to CFS and International committees (Refer COM  
345 Paragraph 2) future exportable surpluses of RCL Items)



AC LIST

ACTION : ECHS SEC 3  
INFO : CHIEF COMMISSIONER  
EX COM 2  
COMSEC SC  
FINANCE SC  
FILE 2  
FLOAT

RESTRICTED

See M.149293

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13260/P

18 January 1946

SUBJECT : Economic Policy - Venezia Giulia.

TO : Assistant Chief of Staff,  
G-5 Section,  
AFHQ.

1. I refer to my two letters 20.00/45 of 14 December 1945, on the subject of military exports and the coordination of military procurement in Italy with Allied civilian supply programs.

2. Our correspondence with AMG Venezia Giulia on economic and financial matters has revealed the existence of three broad groups of problems regarding which policy decisions are desired. These groups are:

- (a) the responsibility for the procurement of Italian indigenous supplies for use in AMG Venezia Giulia, and the actual physical procedures by which such procurement is to be effected;
- (b) the financial procedures involved in the procurement referred to in (a) above;
- (c) the control of trade between AMG Venezia Giulia and the rest of Italy, including specifically the following questions:
  - (i) is all trade between Italy and AMG Venezia Giulia to be conducted through AMG channels?
  - (ii) are customs controls to be established on both the western and eastern borders of AMG Venezia Giulia, thus making it possible for an AMG Venezia Giulia import-export licensing control to function?

3. Broadly speaking, it appears that the question to be decided is whether AMG Venezia Giulia is to be

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- 2 -

(137)

treated economically and financially for all purposes as part of Italy, or whether it is to be administered as a separate economic entity (as is being done on the political side) until a final decision as to the future of the area has been taken.

4. Once this basic question has been decided, it is our view that practically all of the specific economic policy decisions now being requested by AMV Venezia Giulia will flow from the general principle. If AMV Venezia Giulia is to be treated economically as part of Italy, then the Italian Government should be prepared to make arrangements to provide the necessary indigenous supplies to AMV Venezia Giulia without any current compensation in foreign exchange. In this case the supplies would be purchased with lire currency or credits provided by AMV through the central banking system of AMV Venezia Giulia. On the other hand, if AMV Venezia Giulia is to be administered as a separate area, it then follows that any supplies imported from Italy should be paid for by AMV Venezia Giulia in foreign exchange to the extent that such imports from Italy exceed exports from AMV Venezia Giulia to Italy. Such credits in dollars and sterling would, of course, be made in an agreed proportion. Such imports from Italy to AMV Venezia Giulia would be in the nature of military exports from Italy, which the Allied Commission has already recommended, in my letter 20.00/22 of 14 December to you, be reflected in dollar and sterling credits.

5. If AMV Venezia Giulia should be treated as a separate area, this policy would involve the establishment of a customs barrier (which does not necessarily imply any payment of customs tariffs) on the western border of AMV Venezia Giulia as well as on the Bergen Line. At present there does not appear to be any customs barrier of any kind on either line. The establishment of such physical check-lines would enable AMV Venezia Giulia to establish an effective import-export licensing control and foreign exchange control. Such controls could then ensure that supplies imported into AMV Venezia

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- 3 -

(136)

Giulia either from Italy or from overseas sources were limited to those items considered necessary and could prevent such supplies from being re-exported from Zone "A" to Zone "B". The desirability from an economic point of view of a physical control along the German line has already been set out in letter from AMB Venezia Giulia 130/AMB/Fin/M/S of 15 November 1945, which was attached to our letter 13062/P of 24 November to you. In considering the problem, it should be noted that the Italian Government has repeatedly called our attention to the fact that there is no customs control along Italy's north-eastern border and that the Italian Government views this as a serious obstacle to their efforts to reunit the customs network around Italy in order that they may resume private foreign trade under the necessary import-export and foreign exchange controls.

6. With reference to para 2 (a) above, we would suggest that AMB Venezia Giulia set up the necessary machinery for the procurement of indigenous supplies in Italy. The transfer of the supply functions of the Economic Section of this Commission to UNRRA, which will presumably take place around 31 January 1946, will make it impracticable for the Allied Commission to attempt to carry out such procurement on the behalf of AMB Venezia Giulia. In planning such procurement, it should be borne in mind that certain supplies already procured for AMB Venezia Giulia have up to this time been effected on a local basis, e.g. between the SUPRAL of Trieste and the SUPRAL of Venezia. This procedure has been made possible by the existence of AMB in Northern Italy. We anticipate, however, that in the future it may become difficult to negotiate such specific transactions, as the Italian Government, after it takes control of the Northern Provinces on 1 January 1946, will have such questions referred to it for decision by the various Provincial agencies and will increasingly realize that Italy is sending supplies to Venezia Giulia without any economic return. This state of affairs might in the future lead the Italian Government to place obstacles

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- 4 -

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in the way of such trade, by delaying allocations, etc. In our view, it would be well to acquaint the Italian Government as soon as possible with your decision on the basic question posed herein. If the decision is that Venezia Giulia is to be integrated economically with Italy, then we should begin to advise the Italian Government accordingly on the problems of Venezia Giulia supplies. If, on the other hand, the decision is to administer Venezia Giulia as a separate economic entity, the prospect of current dollar and sterling credits should act as a considerable incentive to the Italian Government to make the desired indigenous supplies available.

7. The Allied Commission has not up to the present time experienced any difficulty in obtaining allocations from the Italian Government for Venezia Giulia and there is attached a copy of a letter I have addressed to the President of the Council of Ministers, expressing the hope that the Italian Government will take affirmative action to see that the flow of indigenous supplies to Venezia Giulia is not interrupted, including supplies procured at the provincial level, those formerly allocated by the North Italy Industrial Council, and those allocated by the Italian Government, pending a final decision on the payment questions involved.

8. Since definite answers on many economic problems affecting Venezia Giulia must necessarily await a decision on the basic policy question described in paragraph 3 above, an early decision on this question is urged.

/s/ Harry W. Stone

HARRY W. STONE,  
Rear Admiral, USN,  
Chief Commissioner.

Copy to : CG XIII Corps

Polad (A)  
Polad (B)

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OUTGOING MEMORANDUM  
HEADQUARTERS ALLIED COMMISSION

FROM : HQ, AMCC

17 January 1946

TO : AMCC FOR CGO FOR COMB FOR CLAS OF TD AMROF (LONDON)  
FOR COMBET ORGANIZATION ATTD AMR, PHAG

JAN 18 1946

Ref. No : 335

CONFIDENTIAL

This is ACC 473.

Subject is proceeds of sales of Italian exports to the UNITED STATES.

1. Refer MAT 930 and TAM 726.

2. It is recommended that USCC deposit with guaranty trust for post liberation account of Banca d'Italia 90% of proceeds from Italian exports consigned to USCC by Allied Commission pending presentation of final report activities of the Allied Commission.

3. accounts pursuant to para 2 of TAM 640 are complete except for the data to be extracted from the final report from USCC being prepared now and some outstanding queries on exports to the UK.

4. Full report will be rendered when these outstanding items are cleared. This will be within one month of the receipt of the final USCC figures.

Precedence : ROUTINE

Office of origin : AMCC C/O Finance C/O

Tel. No. : 586

Originator's signature : LT COL. AMCC

Disposition

ACTION DISCUSSION : Leon Dec 18  
(Cao (6)  
(Supply Gr.  
(Program Cr.  
(Disposition Cr 10)

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Subject is proceeds of sales of Italian exports to the UNITED STATES.

1. Refer MAT 920 and T.M 726.

2. It is recommended that USCC deposit with guaranty trust for post liberation account of Banca D'Italia 90% of proceeds from Italian exports consigned to USCC by Allied Commission pending presentation of final report activities of the Allied Commission.

3. accounts pursuant to para 2 of T.M 640 are complete except for the data to be extracted from the final report from USCC being prepared now and some outstanding queries on exports to the UK.

4. Full report will be rendered when these outstanding things are cleared. This will be within one month of the receipt of the final USCC figures.

Precedence : ROUTINE

Office of origin : USA C/O Finance S/C

Tel. No. : 586

Originators signature : LT. COL. W.M.M.

#### DISTRIBUTION

ACTION DISCUSSION : soon Dec 18  
(200 (5)  
(Supply Gr.  
(Program Pr.  
(Requisition Br 10)

ADVANCE COPIES TO : Commerce SC 2  
Finance SC 2  
Food & Agric SC 2  
Ind Util SC 2  
Coal Div 1  
In SC 2

INFO

: Chief Commissioner  
EXCC Comm 2  
CC Br LMB  
CC US LMB  
USC Home  
USC  
File

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
Commerce (Foreign Trade) Sub-Commission

Ref : AC/5203/RCL/TW/Commerce

8 January 1946

JAN 12 1946

SUBJECT : Reserved Commodity List.

TO : See distribution attached.

1. Reference is made to the set of Reserved Commodity Lists consisting of :

- Appendix A (1) : Reserved Commodity List of the Combined Raw Materials Board.
- Appendix A (2) : Reserved Commodity List of the Combined Food Board.
- Appendix A (3) : Reserved Commodity List of the Combined Production Resources Board.
- Appendix A (4) : Other commodities at present classified in category "A" by agreement between U.S., U.K. and Canada.

which were circulated on 29th November, 1945.

2. It has been publicly announced that the Combined Production & Resources Board, and Combined Raw Materials Board terminated their activities as of 31st December 1945, and that international control of commodities previously vested in C.P.R.B. and C.R.M.B. is limited only to tin, rubber, hides, coal, and textiles. Control of these five items is vested in five independent Committees. The specific definition of the commodities controlled by these Committees is given on the attached Appendix A (1).

3. It is requested that the attached Appendix A (1) will be substituted for Appendices A(1) and A (3) which were issued as in para. 1 above.

37

1. Reference is made to the set of Reserved Commodity Lists consisting of:

- Appendix A (1) : Reserved Commodity List of the Combined Raw Materials Board.
- Appendix A (2) : Reserved Commodity List of the Combined Food Board.
- Appendix A (3) : Reserved Commodity List of the Combined Production Resources Board.
- Appendix A (4) : Other commodities at present classified in category "A" by agreement between U.S., U.K. and Canada.

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3. It is requested that the attached Appendix A (1) will be substituted for Appendices A (1) and A (3) which were issued on in para. 1 above.

4. Appendices A (2) and A (4) remain unchanged for the present.

5. It is pointed out that the revised set of lists now consists of Appendices A (1), A (2), and A (4).

Encls. as above

S. L. I. SAUL

Major, R. A.

Acting Director

Comoros (Foreign Trade) S/C

11-11-46

Dec 7 1946

(MWD)

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Office of the Executive Commissioner  
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10 Chief Liaison Officer

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Representative to AC

Ministero per il Commercio Estero

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Appendix A (1)

1 January 1946

CONTROLLED COMMODITIES

Control of each of the following five commodities is vested in a special control committee:

1. Tin  
Unrefined forms 1/; refined tin and tin-base alloy basic shapes and forms 2/; (including tin-bearing bronzes); and scrap.
2. Rubber  
Natural rubber, natural latex; reclaimed rubber and Butyl (C-R-1) synthetic rubber.
3. Hides, skins and leather  
Raw cattle hides and raw calf and kip skins; all cattle, calf and kip leather; raw goatskins; all goatskin leather; East Indian tanned Kips; East Indian tanned goatskins; East Indian tanned Sheepskins; pickled sheepskins and pickled lambskins.
4. Coal and Coke  
Cotton broad woven goods, cotton yarn, cotton sewing twine, cotton fish nets.
5. Textiles

1/ The term "unrefined forms" is used to designate mine, concentrating mill, and smelter products, residues or waste materials, and products of other primary reduction processes. Examples are ores, concentrates, matte, speiss, tailings, blister, anodes, bullion, precipitates, fine dust, drosses, slag, skimmings.

## 2. Rubber

Natural rubber, natural latex;  
recalcined rubber and Butyl (C-3-1)  
synthetic rubber.

## 3. Hides, skins and leather

Raw cattle hides and raw calf and  
kip skins; all cattle, calf and kip  
leather; raw goatskins; all goatskin  
leather; Goat Indian tanned Kips; Goat  
Indian tanned goatskins; Goat Indian  
tanned Sheepskins; pickled sheepskins  
and pickled lambskins.

## 4. Coal and Coke

Cotton broad woven goods, cotton yarn,  
cotton seine twine, cotton fish nets.

## 5. Textiles

1/ The term "unrefined forms" is used to designate mine,  
concentrating mill, and smelter products, residues or waste  
materials, and products of other primary reduction processes.  
Examples are ores, concentrates, matte, speies, tailings,  
blister, anodes, bullion, precipitates, flue dust, drosses,  
slags, skimmings.

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2/ Metal and alloy "basic shapes and forms" include refinery,  
intermediate, and semi-fabricated shapes. Refinery and inter-  
mediate shapes of the various metals might include cathode  
sheets, ingots, pigs, slabs, sticks, runnels, pellets, shot,  
cakes, blooms, billets, wire bars and rods, et cetera.  
Semi-fabricated shapes include rolled, drawn and extruded forms;  
such as plate, sheet, strip, angles, sections, rods, bars, bare  
wire, pipe, tubing, structural shapes, discs; powder; foil.

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ALLIED FORCE HEADQUARTERS  
G-5 Section  
APO 512

Ref. F-10

24 December 45

SUBJECT: Military Procurement in ITALY

TO : Headquarters, Allied Commission, APO 294.

1. Receipt is acknowledged of your letters 20.00 dated 14 Dec. (subject "Co-ordination of military procurement in ITALY with Allied Civilian Supply Programs") and 20.00/ES dated 14 December (subject "Military Exports from ITALY (Financial Problem)") which are being studied here.

2. Reference para 1. of the second letter mentioned above. The airgram in question was NOT despatched.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

/s/ H. P. GROOM-JOHNSON, Lt. Col., for

A.L. HAMBLIN  
Brigadier General, G.S.C.  
Assistant Chief of Staff, G-5

ACTION : Supply

INFO : Chief Commissioner  
Exec Comm  
A/VP

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
Commerco (Foreign Trade) Sub-Commission

18 December 1945

Ref : AC/5203/RCL/Imp/Commerco

DEC 20 1945

SUBJECT : Reserved Commodity List

TO : See distribution

1. Reference is made to this Headquarters' letter AC/5203/RCL of 29 November 1945, enclosing complete set of Reserved Commodity Lists.

2. The following revisions should be made to the list in your possession :

COMBINED RAW MATERIAL BOARD - Appendix A (1)

Item 2. Cordage fibers. AMEND TO READ : "Unmanufactured  
manila, sisal,  
Henequen".

Item 8. Misc. DELETE.

3. It will be noted that raw hemp and manufactured hemp are now deleted, as well as manufactured products of other cordage fibres.

*F. W. TOOHY*  
Lt. Colonel, R. A.  
Director  
Commerco (Foreign Trade) S/C

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20/12/45

PA 20/12

DISTRIBUTION :

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AME, Venetia Region (3)  
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AME, Naples Command (3)  
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AME, Livorno Zone  
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AC, Liaison Officer, Bari  
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HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

Ref. 20.00

14 December 1945

SUBJECT: Coordination of Military Procurement in Italy with DEC 18 1945  
Allied Civilian Supply Programs

TO : Allied Force Headquarters

1. The Allied Commission is becoming increasingly aware that grave damage is being done to the Italian economy by procurement of indigenous Italian materials and plant equipment by military units. The situation is particularly serious in North Italy, where the remaining military forces in the country are principally concentrated. Such procurement is being effected for the purpose of supporting Allied Military establishments in Italy, and those in other countries, as well as for export by the military for the maintenance of the civilian population of certain liberated areas. The financial implication of the latter practice is the subject of a communication to your headquarters of even date (Ref. E3/20.00).

2. The objects of the present letter are:

- (a) to present certain observations regarding the manner in which military procurement impinges on the Allied civilian supply programs for Italy and to bring forward recommendations designed to reduce its interference therewith to a minimum; and
- (b) to suggest a method for the recording of such exceptional military exports as are essential.

3. In the past months, detailed plans for the rehabilitation of the Italian economy have been drawn up and are being submitted to the Allied Governments in Washington and London. When such programs have received approval, they will presumably be supported by Allied appropriations to the extent of several hundred million dollars. Naturally, when such plans were drawn up, great care was taken to ensure that Italian resources and industrial capacities would be employed to the maximum and, in fact, these form an integral part of the programs themselves.

4. The Allied Commission agrees that military requirements must continue to be met, but feels that this must be done in such manner as not to cause additional damage to the Italian economy, the restoration of which is the primary object of these programs financed by Allied funds. In

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See File 4601  
Filed 91PA  
20/12

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(127)

B - Coordination of Military Procurement in Italy with Allied Civilian Supply Programs

Particular, it is deemed important that the Italian resources which are to be used in conjunction with the rehabilitation program be maintained intact, in order that, with the arrival of Allied-purchased materials and machinery, production may commence immediately and progress smoothly. Therefore, the purchase and requisition of materials by the military ought to be subject to coordination with the program. It would seem appropriate to suggest at this point that, actual military operations having ceased in this area, the doctrine of overriding military necessity which has been applied to military procurement in the past would now seem to have lost much of its weight. At the same time, the changed political situation of this country vis-a-vis the Allied Governments is not to be lost sight of.

5. Prior to the dissolution of the Engineering Materials and Miscellaneous Purpose Committees of the Allied Forces Local Resources Board, these bodies served as a forum in which civilian, as opposed to military, requirements for local resources could be presented, and they thus provided some measure of defense for the civilian economy. At present, there exists no official body to which appeal may be made in advance against military acquisition of vital materials or machinery, even when these may represent key portions of the rehabilitation program.

6. In North Italy, informal arrangements have been made by the Allied Commission with certain individual military units for the channelling of prospective purchases through the Allied Commission offices at Milan for agreement. It is considered highly desirable that this procedure be extended to all military units and to all parts of the country for the reasons set forth above. For this purpose, it is proposed that a list of the materials and plant equipment which represent essential parts of the rehabilitation program be drawn up by AC and be incorporated into the list of restricted materials attached as Appendix A to the draft AFHQ Administrative Memorandum on Local Resources in Italy, Mainland and Islands, at present being circulated for coordination by AFHQ. Military agencies desirous of obtaining such items should approach the appropriate screening agency of AC, which will establish whether or not such procurement will adversely affect the Allied civilian supply and rehabilitation program.

7. Passing to the question of military exports, the Allied Commission is unable to find authority which gives the Allies the right to acquire and export anything free of charge. The majority of cases of military exports which have come to the attention of the Allied Commission, have involved materials and products which were already in short supply as regards the needs of the Italian population or were essential for the industrial rehabilitation of the country. No machinery at present exists

## 3 - Coordination of Military Procurement In Italy with Allied Civilian Supply Programs

for determining whether or not such commodities are surplus to local needs prior to procurement and export. There is no opportunity afforded for review of the comparative scarcity in the country of importation in relation to scarcity of the same commodity in Italy.

8. Allied civilian supply programs are being financed with (a) YT funds, i.e., dollar credits arising out of United States troop pay imports, and remittances, (b) YB funds, that is, the \$100,000,000 FEA appropriation, (c) the British Government contribution to the CLAC Program of Basic Supplies, and (d) possibly after 1st January 1946, UNRRA funds. These programs are intended to provide, not only for the immediate consumption requirements of the Italian population, but also to ensure the industrial rehabilitation of the country to the extent necessary to enable it to provide for its own needs and thus no longer constitute a burden on the economies of the United Nations. Interference with the attainment of this objective is arising and will continue to arise out of military exports, to the extent that (a) materials or plant equipment thus removed from Italy must be directly replaced under current and future programs, or (b) where the materials or plant equipment removed were essential to the effective realization of the programs, in that they were required for use in conjunction with other imported materials or equipment. It goes without saying that export of indigenous goods of the types to be imported under the programs must be offset by equivalent replacement. In all cases, funds appropriated by the Allied Governments or made available to the Italian Government for its own use will actually have been diverted directly or indirectly to purposes other than those for which they were provided.

9. Whatever the basis for credits or the currencies in which they were to accrue, Italy should in any case have the benefit of records as a basis for future settlement, and it is felt that such records could be maintained by the Allied Supply Accounting Agency in the form of lira credit accounts showing the actual purchase value of the merchandise exported. The basis for such accounts could be declaration of all shipments abroad by military units, under a general directive issuing from AFHQ. A suggested text for such a directive in the form of a draft Administrative Memorandum is attached hereto as Appendix A. The provision contained in paragraph 2 (b) thereof requiring cash payment in the procurement by the military of commodities for export would ensure the existence of a firm basis for the calculation of credits in foreign currencies referred to in my letter of even date (Ref. ES/20.00) on the subject "Military Exports from Italy (Financial Problems)".

10. The Allied Commission feels most strongly, not only that adequate records of military exports must be kept, but also that a system of screening against the civilian supply programs by the Allied Commission, of all intended military procurement should be put into effect without delay, with the object of ensuring that:

4 - Coordination of Military Procurement in Italy with Allied Civilian Supply Programs

- (a) due allowance for military procurement can be made in future plans and schedules for civilian supplies under the programs;
- (b) an opportunity may be afforded to the Allied Commission to authorize such procurement only in cases where undue interference with Allied civilian supply programs would not appear to result; and
- (c) In the case of military exports, appropriate claims against military appropriations, or those provided to cover other areas, may be made for the benefit of the Italian Government or of supply agencies operating in Italy.

/s/ Ellery W. Stone

ELDERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner

e.w.w.

Attachment: Appendix 'A'

124

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APPENDIX A

DRAFT

Allied Force Headquarters

AFQ 512

ADMINISTRATIVE MEMORANDUM }

NUMBER }

December 1945.

Military Exports from Italy, Mainland and Islands

1. There shall be no exports by the military except under special conditions. The following policies and procedures are hereby prescribed to govern the exports from Italy of all commodities acquired within the country by Allied military procurement agencies.

2. The following restrictions will govern the export from Italian territory of any commodity procured in Italy:

- (a) the procuring agency will submit an application to the Allied Commission for authorization to export. Such application will provide the following information:
- (1) a description of the commodity, stating the quantity in normal trade terms, and the name and business address of the proposed supplier;
  - (2) the price in lire of the commodity (if procured by requisitioning prior to the date of publication of this memorandum, then the estimated lire value);
  - (3) the designation of the procuring agency or unit and the source of the funds from which payment will be made;
  - (4) the country to which the commodity is to be exported and the designation of the consignee therein;
  - (5) a copy of the request for procurement, bearing a statement of the object for which the export is required, military or civilian;
  - (6) a statement as to how liability as between ~~exporter~~ and consignee will be settled.
- (b) Notwithstanding the provisions of Administrative Memorandum No. 21 1945, requisitioning will not be resorted to in the procurement of commodities for export and lire cash payments therefor shall be made in all cases;

*Secret*

- 2 -

APPENDIX A  
(continued)

129  
123

- (c) issuance by the Allied Commission of authorization to export will constitute authority to procure the required commodities. Copies of all such authorizations will be furnished by the Allied Commission to the Allied Supply Accounting Agency; and
- (d) upon export, the procuring agency will notify the Allied Supply Accounting Agency of the actual quantities exported under the authorization and the price paid therefor.

3. The Allied Supply Accounting Agency, C-5 Section, now attached to Finance Sub-Commission, Allied Commission, is hereby constituted the responsible agency for the maintenance of appropriate records of all military exports declared to it under the procedures laid down herein. Such records shall consist of separate entries to cover each transaction comprising the information called for in Paragraph 2(a) and (d) above.

4. Every Allied organization or service which has effected the export of any commodity from Italy prior to the date of publication of this memorandum will furnish to the Allied Supply Accounting Agency the information called for in Paragraphs 2(a) and (d) above, wherever available.

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## 2 - Military Export from Italy

(121)

5. It will be seen that the financial problems involved in the question of military exports are two-fold:

- (a) Is Italy to receive current reimbursement in foreign currencies for military exports, and, if so,
- (b) in what currency is reimbursement to be effected?

6. It was suggested in the JPM staff study under reference that a record be kept of military exports with a view to ultimate inter-governmental settlement. In the view of the Allied Commission, it is desired that Italy receive current foreign credits for the value of such exports, as part of the program to mobilize and increase Italy's foreign exchange resources. If no foreign currency credit whatever is allowed, Italy is placed under a double disability of having to accept the cost of the goods as an occupation charge as well as having to endure a shorter supply. Reimbursement must be effected out of Italy's limited dollar or sterling credits, or by expenditure of funds made available by the Allies for the support of the civilian supply and rehabilitation program.

7. It is therefore suggested that the entire problem of military exports be referred to the Combined Chiefs of Staff for a decision on the policy involved, with the following recommendations:

- (a) that the Italian Government, to effect its obligations to the Allied Governments, should receive credit for supplies exported on a military basis prior to 1 September 1945, the date of termination of the combined military responsibility for civilian supply imports into Italy;
- (b) that, for exports from Italy after such date, the Italian Government should receive current reimbursement in foreign currency; and
- (c) that such reimbursement should take the form of dollar or sterling credits, according to the nationality of the military organization or service concerned.

J. Henry W. Stone

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HENRY E. STONE  
Rear Admiral, USNR  
Chief Commissioner

4025-4412Exp. Com.  
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ROUTINE

AFHQ FROM 9-5

XIII COMPS FOR AMB ALCON ROME

HEADQUARTERS

17 DEC 1945

DEC 13 1945

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C.

UNCLASSIFIED.

Following precise AOVAM message 703-27381 of 8 December 45  
for your information.

1. US dept commerce taking action to place all commercial  
exports from us to ITALY in category E, which permit exports without  
specific export licence except for items in short supply, for which  
specific export license will still be necessary.

2. Public statement being made that commercial imports to  
VENETIA GIULIA and Province of UDINE from us will be subject to such  
regulations as AMS authorities impose.

AS BITE

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|--------|--------------------|------|
| ACTION | ROOM 380           | 2    |
| INFO   | CHIEF COMMISSIONER |      |
|        | EXEC COMEN         |      |
|        | REQN EN            |      |
|        | COMMERCE           | 30   |
|        | FILE               | 2    |
|        | PLCAT              | 3275 |

See M. 118720 See M. 2(9211) sent  
13/12/45

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