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

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10000/109/851
(VOL. II)

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10000/109/851
(VOL. II)

ITAL-FRENCH TRADE
FEB. 1945 – MAR. 1946

4049 & 4410

INCOMING MESSAGE

ORIGINATOR'S REFERENCE WCL 28038 — MESSAGE CENTRE NO: H/1285

DATE TIME OF ORIGIN: 27MAR 0612Z — DATE TIME REC'D : 28MAR0915

PRECEDENCE: ROUTINE

MAR 28 1945

FROM: WAR COS CITE CCAC

TO : A C FOR CLAC INFO: AFHQ FOR FHDEG AND WAR OFFICE FOR SLAO SECRETARIAT

UNCLASSIFIED.

THIS IS CCM 44. REFER MCC AIRGRAM 129, TAM 456, TAM 738.

ITALO/FRENCH NEGOTIATIONS FOR PYRITES.

1. YOUR RECOMMENDATION THAT THE COMBINED LIBERATED AREAS COMMITTEE ARBITRATE THE PRICE OF 100,000 TONS OF PYRITES WHICH ITALY HAS AGREED TO DELIVER TO FRENCH IN PART PAYMENT FOR FRENCH PHOSPHATE ROCK IS CONSIDERED HERE TO BE BASED ON THE FALSE PREMISE THAT THE PRICE DISAGREEMENT STILL COMING WITHIN THE PURVIEW OF SECTION 2 OF TAM 454.

2112

2. IS HOWEVER, CLAC IS WITHOUT JURISDICTION IN THE INSTANT CASE SINCE THE ARBITRATION PROVISION OF TAM 456 IS INAPPLICABLE FOR THE FOLLOWING REASON: PYRYTES WAS REMOVED FROM THE RESERVED COMMODITY LIST ON SEPTEMBER 5 AND THEREBY AUTOMATICALLY LOST ITS STATUS AS A CATEGORY A I . AS IS INDICATED IN PARA 3n OF CCM AIR 129 IT WAS NOT UNTIL OCTOBER THAT THE ITALO/FRENCH NEGOTIATIONS RESULTED IN A PROVISIONAL PRICE AND SAN AGREEMENT TO REQUEST ALLIED ARBITRATION PARA MOREOVER, THE PRIME PURPOSE OF CLASSIFYING CERTAIN COMMODITIES AS CATEGORY A (TAM 456) WAS TO ASSURE THEIR EXPEDITIOUS MOVEMENT. THE ARBITRATION PROVISION WAS TO FACILITATE AGREEMENT ON EXPORTATION. IT IS OUR INFORMATION THAT DURING THE PERIOD THAT PYRYTES WAS IN CATEGORY A NOT ONE TON MOVED. IF THIS IS CORRECT

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UNCLASSIFIED.

THIS IS COM 414. REFER MOC AIRGRAM 129, TAM 456, TAM 730.

ITALO/FRENCH NEGOTIATIONS FOR PYRITES.

1. YOUR RECOMMENDATION THAT THE COMBINED LIBERATED AREAS COMMITTEE ARBITRATE THE PRICE OF 100,000 TONS OF PYRITES WHICH ITALY HAS AGREED TO DELIVER TO FRENCH IN PART PAYMENT FOR FRENCH PHOSPHATE ROCK IS CONSIDERED HERE TO BE BASED ON THE FALSE PREMISE THAT THE PRICE DISAGREEMENT STILL COMING WITHIN THE PURVIEW OF SECTION 2 OF TAM 456.

2112

2. IS HOWEVER, CLAC IS WITHOUT JURISDICTION IN THE INSTANT CASE SINCE THE ARBITRATION PROVISION OF TAM 456 IS INAPPLICABLE FOR THE FOLLOWING REASON: PYRITES WAS REMOVED FROM THE RESERVED COMMODITY LIST ON SEPTEMBER 5 AND THEREBY AUTOMATICALLY LOST ITS STATUS AS A CATEGORY A I. AS IS INDICATED IN PARA 3 OF COM AIR 129 IT WAS NOT UNTIL OCTOBER THAT THE ITALO/FRENCH NEGOTIATIONS RESULTED IN A PROVISIONAL PRICE AND SAN AGREEMENT TO REQUEST ALLIED ARBITRATION PARA MOREOVER, THE PRIME PURPOSE OF CLASSIFYING CERTAIN COMMODITIES AS CATEGORY A (TAM 456) WAS TO ASSURE THEIR EXPEDITIOUS MOVEMENT. THE ARBITRATION PROVISION WAS TO FACILITATE AGREEMENT ON EXPORTATION. IT IS OUR INFORMATION THAT DURING THE PERIOD THAT PYRITES WAS IN CATEGORY A NOT ONE TON MOVED. IF THIS IS CORRECT THE FUNDAMENTAL PURPOSE OF THE ARBITRATION PROVISION DEFEATED. PARA IN ANY CASE TAM 638 TERMINATED CLASSIFICATION OF ITALIAN EXPORT PRODUCTS AS CATEGORY A AND B) IT IS SUGGESTED THAT MAXIMUM ENCOURAGEMENT BE GIVEN THE PARTIES TO THE PYRITES PRICE DISAGREEMENT TO RESUME ACTIVE DIRECT NEGOTIATIONS IN THE INTEREST OF AN EARLY SETTLEMENT OF THE MATTER.

HEADQUARTERS

28/3

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Fm 'L' 209

C50 "Your attente -- is invited to Folios 189-[illegible]
concerning Italo French negotiations on pyrites &
phosphate

Skett
22/12/45

H.S. 261 213.

C50. Folio 212 for info. I will follow this up.

Reply at 215 Skett 14/1/46

Skett
24/1/46.

H.S. 113 229.

C50. Please see Folio 228. Def Gasperi's reply to Brig Lush's letter at Folio 215 on phosphate rock.

Skett.
28/2/46

H.S. 231.

C50. Please see folio 230 for info on phosphates
What action.?

Skett
4/3/46

H.S. 713. 232.

C.S.O. The action taken on Folio 230 was in accordance with Par 5 PAT 218 ~~ref~~. The Italian Merchant Marine was also notified. The Commerce Branch has this under discussion at the present time.

Skett
7/3/46

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179

T.R. 23/10.

C.S.O. - Fol. 172 are latest developm. to in these long drawn out negotiations

Ernd 23/10

180 161

C.S.O. - Folio 4 came in without any more identification of the author than appears on its face. Unless Ernd who he is or think Ex. Com. does. I propose to send the letter to Ex. Com. "for information" & which the letter gives practically none of and "for action" which to be Ex. Com. has already taken

Ernd 25/10

183

Ex. Com.

C.S.O. - Rep. fol. 182. Looks & like the Prop. rot he is finally moving Viva la France!

T.R. 26/10. Ernd 25/10

W 26/x.

2110

185

C.S.O. Confirmed too - see 185.

Unless Lord Ernle who he is or what action.
does. I propose to send the letter to Sir Lee.
"for information" & which the letter gives ~~this~~
practically none of and "for action" which
Sir Lee. has already taken

Ernle 25/10

183

Ex. Com.

C.S.O. - Ref. fol. 182. Looks as like the Prague rot
robbers finally moving Viva la France!

Ernle 25/10

101.

2110

186

C.S.O. Confirmed too - see 185.
Es lebe Frankreich.

ERB 10/11

188

D/Ex. Com.

~~P. 185 + 187 for -~~

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170

FMC 6/10.

CSO - Folio 169 for info

Emid 5/10

172

CSO - Folio 171 for info. Since folio 169 was written question of price has been settled as per second sentence of para. 3 of folio 169. Signal will be going off to Washington asking for adjudication.

Emid 11/10

173

~~For. Com.~~ Copt. White

Yr. min 172 thank you.

Is our French representative being kept informed?

FMC 12/10.

174

CSO - Answer to min. 173 is "yes". French ~~Embassy~~ representative is familiar with the matter generally and French Embassy has all the particulars.

Emid 17/10

2103

175

For. Com.

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

Signal will be going off to Washington asking for adjudication.

Encl 11/10

173

~~Ex. Com~~. Capt White

Yr. min 172 thanks you.

Is our French representative being kept informed?

Encl 12/10.

174

CSO- Answer to min. 173 is "yes". French ~~Embassy~~ representative is familiar with the status generally and French Embassy has all the particulars.

Encl 12/10

2103

175

Ex. Com.

P. 171 - the latest on Phosphate-Pyrites.

for inf.

Encl 12/10.

176.

Chief Commissioner.

Attached is submitted for your approval signature information

I wonder what would have happened if A.C. had not been here himself. HB/131x

Nat'l Archives

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160

650

Ref your min 158 - See action directed by Econ Sect. on folio 159 Have been told that this Ofpi will be kept informed - part action so taken is on folio 155

163

CSO - Folio 162 shows of action further to minute 160

Ctd 21/9

164

Ex Circ

159 - 162 on the Phosphate - Pyrites position.

(165) Ltr 22/9.

Ack V.P. Econ to speak at V.Ps meeting

167

Discussed at Ex Cir meeting 21.9.03.

Decided that Eca Sect enlist help of Multec - French

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

C50- folio 162 Flows of action further to minute 160

Cmnd 21/9

164

Ex Clerk

159 - 162 on the Phosphate -

Pyrites position.

(165) Li 22/9.

Ath V.P. Econ to speak at V.P.s meeting

167 Sec'

Discussed at ~~the~~ meeting. 2108.

Decided that Sea Sect

enlist help of Mulec - French

Rep on Ac.

Li. 25/9.

(168)

note - Letter to Ministry regarding on Status on the way up

Cmnd 1/10

Mr. Lucken:

149

Re folio 148 - letter to P.M. will be in pr. C.C.'s sig. some time Today

GBR 2/1/6

C&O

153

Please see Brig Gen. McKinley's letter at folio 152 & advise if agreeable. Situation appears to be serious. Could this be submitted to the CC for approval & transmission?

GBR 11/9

C&O

157

Discussed at V.P.S meeting Econ Sec will take action. Please follow up

DR 12/5

158.

Capt Hinrichs.

This was quite discussed at 2107 at Executive meeting this morning. It was agreed that Econ Sect must [illegible] on this side --

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

Please see Brig Gen. McKinley's letter at folio 152 & cable to Algiers. Situation appears to be serious. Could this be submitted to the CC for approval & transmission?

ABV
5/11/9

157

CSO

Discussed at V.P.S meeting Ecousec will take action. Please follow up

DW 12/5

156.

Capt Brooks.

This was again discussed at 2103 at Executive meeting this morning. It was agreed that Gen Eisenhower must put pressure on both sides — Italian and French — and should also approach the French Representative on the European Emergency Committee in London and ask for their intervention. It was felt that so important was the immediate arrival of Prophets & Leahy here, Italian Govt might have to be forced to make a bad deal. M

Todhunter Walton 5/11 14/5.

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C.S.O.:

Summary of the Paris Tripartite Economic Committee Meeting held on 17 April

14 French representatives present, 2 American, and 3 British.

1. Brazil: French interested in purchasing of Piezo electrical quartz. Wish to co-ordinate with UK and US requirements. French bemoaned the fact they find purchases of this item difficult in that it was regrettable that additional demands were being made on the market. French state that they had refused a Brazilian offer of 50,000,000 lbs. of cotton yarn for manufacture into textiles in Spain.

2. Portugal: All three countries were in accord with the view that navicerts and certificates of origin to control private purchases in Portugal were neither necessary nor desirable. Existing arrangements satisfactory.

3. French North Africa: It was agreed that the lifting of phosphate rock should come from Morocco to Tunisia because of the shortage of supplies in Morocco. The French consider unjustifiable that the entire Moroccan availability should be reserved for the UK. The French representatives stated that it was essential that steps be taken to improve the coal situation in French North Africa. On this was contingent the amount of phosphate rock to be exported.

4. Cereals: Four vessels had been programmed to carry cereals from North America to French North Africa. The French have signed a contract in Berne for purchase of 50,000 tons of cereals from Swiss stocks in Lisbon.

A. B. ARNOLDY
Captain

16 June 45

140

Executive Commissioner

To see folios 138, 137 & 135 for information

Sir Reginald Wiseman!

18 June 45. C.S.O.

2103

C.S.O. 141

Folios 124, 126 & 128. Econ Sect. informs me

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

certificates of origin to control private purchases in Portugal were neither necessary nor desirable. Existing arrangements satisfactory.

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A. B. ARNOLDY
Captain

16 June 45

140

Executive Commissioner

To see folios 138, 137 & 135 for information

Sir Reginald Wasbrough!

18 June 45. C.S.O.

2108

C.S.O. To see 124, 126 & 128. 141 Econ Sect. informs me that all phosphate rock shipments from N.C. to June last arrived & that after June 100,000 tons per month is expected.

20/6/45

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125

C.S.O.

Econ Sect. mtg with French Delegate & Dept of Supply Sect wishes.

28/3/45

127

Capt Annesley

125 & Sect. What about 124?
Will be best we should examine
& 124 & prepare papers for
Anglo-French talks.

31/5

C.S.O. 129

Please see folio 128 re importation of phosphate from North Africa - ref. folios 109 thru 117. - You will note arrangement completed for shipment of 24100 tons to be shipped by June 30 - Question as to future supplies is yet to be settled. Reference is being made to French Embassy.

6/4/45

5/6/45

2105

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110

Ex. Com

Re folio 109.

This may well be a case where the combined efforts of the British and American Political Advisors to the CC could prompt the French Embassy to act. At least we would have nothing to lose in such effort.

111

5 May

Draft a letter to French Ambassador "My dear ---- ..
with gist of our requirements. MS/ds.

113

Executive Commissioner:

The attached letter is submitted for your approval and signature per minute 111.

8 May 45

114

Capt Arnold

Re folio 112 - Follow-up phase.

10 14 May

118

Folios. 113, 114, 115, 116, & 117 answer folio 112. Matter re Verde Ethiki delegate & Inst. of Prophets.

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

CC could prompt the French Embassy to act. At least we would have nothing to lose in such effort.

5 May.

111

Draft a letter to French Ambassador "By direction ..... with gist of our requirements. MS/5/5.

113

Executive Commissioner:

The attached letter is submitted for your approval and signature per minute 111.

8 May 45

114

Capt Arnoldy

Re folio 112 - Follow-up please.

14 May

118

Folios. 113, 114, 115, 116, & 117 answer folio 112. Matter is pending arrival of M. Verde Ethiele, delegate of Inst. of Phosphate.

19/5/45

119

Capt Arnoldy

Please see that Economic Section is informed re your 118.

19 May.

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

H410 : HOAG

Ec. Comm.

230

I N C O M I N G M E S S A G E

Originator's Reference: CA16
Date/Time of Origin: MAR 021015 Z

Message Centre no: H/115
Date:Time Rec'd:MAR 041000
Precedence: ROUTINE

FROM: THE WAR OFFICE
TO: ALCOM ROME TROOPERS RPTD AFHQ BAS WASHINGTON

MAR 4 1946

UNCLASSIFIED.

PAT 218.

1. following receipt of your CLEAR TAP 175 SLA immediately informed MWT that they wished to sponsor Italian Governments bid for additional tonnage lift phosphate ROCK during 1946.

2. SLA has now been informed by MWT that Italian Government did not put in firm bid for movement of phosphates in time to secure allocation of UMA tonnage during February AMB that with the termination of umas activities on 2nd March theere will no longer be a pool to which the Italians can apply for extra tonnage.

3. Proposals have however been made for the setting up in the near future on an Italian shipping board composed of employement of vesel as long as there is a shortage of tonnage for meeting the requirements of the Italian UNRRA and Italian Government programmes.

4. MWT. Suggest that as and when the board is set up the Italian Government should take through the board to ensure that their own tonnage amount of which is to be increased during the next dew months is used to lift phosphates. If chartering of additional tonnage one the marked proved necessary this would also be done with the boards authority.

5. Please repeat to MWT and WSA representatives NAPLES. 2103

AG DIST

INFO: CHIEF COMMISSIONER

ACTION DIRECTION ECON SEC 18)
(CSO (5))

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

PAT 218.

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5. Please repeat to MVT and WSA representatives 2103 NAPLES.

AC DIST

INFO: CHIEF COMMISSIONER
EXEC COMM 2
CC BR EMB
CA US EMB
FILE

ACTION DIRECTION ECON SEC 18)
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(PROGRAM BR.)
(REQUISITION BR(10))

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TRANSLATION

MINISTRY OF FOREIGN AFFAIRS

42/05999/15

22 Feb 46

FEB 28 1946

Dear Brigadier Lush,

I acknowledge receipt of your letter dated 14 Feb relating to the transport of phosphate from French North Africa to Italy.

In the meantime I thank you for your interest in the matter with the U.M.A. in order to bring into evidence the urgent needs of my Country for obtaining the necessary tonnage for the transport of the phosphates.- I want to assure you that the Italian Government will point out the matter as soon as possible, to the U.M.A., through the Navy Ministry, as you suggest.

Yours very truly,

/s/ DE GASPERI

Brigadier LUSH
Acting Chief Commissioner
Allied Commission
ROME

2102

ECDIST - 27 Feb

ACTION - ECON SEC (2)
INFO - CC
- EC

4410 < 4049 4

337

RESTRICTED

RESTRICTED

HEADQUARTERS ALLIED COMMISSION

FEB 26 1946

MOC AIRGRAM 147: 25 February 1946

TO : Combined Civil Affairs Committee
(for Combined Liberated Areas Committee)
3C-866 Pentagon Building
WASHINGTON, D. C. (15 copies)

SUBJECT : Supply of Phosphate Rock to Italy.

1. Because of the world shortage of primary foodstuffs it is important that each country should feed itself to the greatest extent possible. Italy, lacking foreign exchange with which to pay for imported foodstuffs, has a particular reason for maximizing its harvests of such primaries as bread-grains.

2. After centuries of cultivation the Italian soil produces a greatly reduced harvest unless the soil is adequately fertilized. It is estimated, to quote the most important example, that between a wheat harvest that has received no fertilizer in the preceding growing season and a wheat harvest that has received an optimum amount of fertilizer, the difference will be about a million tons of wheat.

3. The most important fertilizer needed is superphosphate, of which a normal year's requirement for the whole of Italy is about 1,700,000 tons. To manufacture this quantity of superphosphate Italy has to import about 1,000,000 tons of phosphate rock annually, normally from Tunisia.

4. After 1941 the supply of phosphate rock from North Africa to Italy was interrupted and since that time only about 150,000 tons have been brought in to Italy under Allies auspices.

5. In 1945 the Italian Government tried to reach an agreement with the French Government which would re-start the movement of phosphate rock from Tunisia to Italy but conditions in both countries made it impossible to do more than arrange a light

2101

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

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5. In 1945 the Italian Government tried to reach an agreement with the French Government which would re-start the movement of phosphate rock from Tunisia to Italy but conditions in both countries made it impossible to do more than arrange a limited barter agreement to exchange 100,000 tons of phosphate rock for Italian pyrites. Shipping difficulties were such that by the end of 1945 only 11,185 tons had been loaded. 2101

6. In December 1945 the French had informed the Italian Government of their willingness to supply a more normal quantity of rock, but difficulties were anticipated in obtaining the shipping required to transport it from Tunisia to Italy.

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7. Allied Commission therefore prepared a paper to demonstrate the importance of getting as much superphosphates as possible under the 1946 Italian wheat harvest and arranged for presentation of the case to the United Maritime Authority in London. (see Appendix "A" - Paper entitled "The Supply of Phosphate Rock to Italy" dated 20 December 1945.).

8. On 22 January 1946 the Italian Prime Minister addressed a letter to the Chief Commissioner, Allied Commission drawing his attention to the shipping difficulties and asking for Allied Commission's assistance. (See Appendix "B")

9. Agreement was reached between the French and Italian representatives on 2 February 1945 for a supply of 500,000 tons of phosphate rock in the year 1946 (See Appendix "C" for translation of the agreement.).

10. In order to make it clear to the United Maritime Authority that this was a firm agreement which would not be nullified by any subsequent failure to arrange satisfactory terms of payment with the French, the Italian Government gave an undertaking to Allied Commission that they would, in any event, finance the purchase of this rock by some means (See Appendix "D").

11. On 9 February 1946 Allied Commission cabled London asking the Secretariat of the Committee on Supplies to Liberated Areas to impress on the United Maritime Authority the importance to Italy of adequate supplies of phosphate rock to ensure sympathetic consideration of the Italian Government's request for additional shipping (for copy of cable, see Appendix "E").

12. Finally the Chief Commissioner, Allied Commission wrote to the Italian Prime Minister on 14 February explaining that, while Allied Commission had done and would do all it could to help Italy get the additional shipping she needed for this purpose, the responsibility for obtaining it now rests primarily with the Italian Government itself, which he urged to take prompt steps in the matter. (For copy of letter, see Appendix "F".)

13. The United Maritime Authority office in Naples has informed Allied Commission verbally that there

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paper entitled "The Supply of Phosphate Rock to Italy" dated 20 December 1945.).

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13. The United Maritime Authority office in Naples has informed Allied Commission verbally that there is reason for hoping that the Italian Government will succeed in obtaining sufficient shipping throughout 1946 to enable the 500,000 tons of phosphate rock that has been contracted for to be delivered to Italy by the end of 1946.

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14. The above review and the attached appendices are forwarded for the information of addressees.

For the Chief Commissioner:

HARLAN CLEVELAND
Acting Vice President
Economic Section

Attachments: Appendices A to F inclusive.

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APPENDIX " A "

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

20 December, 1945

THE SUPPLY OF PHOSPHATE ROCK TO ITALY

2093

Declassified E.O. 12356 Section 3.3/NND 785017

20 December, 1945

THE SUPPLY OF PHOSPHATE ROCK TO ITALY

2093

FREDK. W. TOOBY, Lt. Colonel, R. A.
Director
Commerce (Foreign Trade) Sub-Commission

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

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

APPENDIX "A" (continued)

THE SUPPLY OF PHOSPHATE ROCK TO ITALY

PART I : THE PROBLEM

The salient facts in the problem of meeting current needs of phosphate rock can be simply stated :

1. Negotiations with France for the supply of phosphate rock from North Africa for the 1945/46 growing season have resulted in an agreement to ship 100,000 tons only, an inadequate quantity when contrasted with the 500,000 tons allocated by the Combined Raw Materials Board, the 700,000 tons estimated current capacity of the fertilizer factories and the 1,000,000 tons of rock required to meet the normal need of the soil. (See Part II - The Need).

2. No more shipments are planned because France and Italy cannot agree on a method of payment.

3. In present conditions the Italian fertiliser factories can process 50,000 tons of phosphate rock per month. Therefore the total quantity that can be processed and applied in the 1945/46 growing season is 4 months capacity (February through May 1946) or 200,000 tons.

4. Italy has an immediate need of 200,000 tons out of the balance of the allocation by the Combined Raw Materials Board.

5. 200,000 tons of phosphate rock would cost the equivalent of approximately $ 3,400,000.

6. By a controlled use of this 200,000 tons of phosphate rock which would insure that it was used for maximizing the 1946 wheat harvest alone Italy could :

The salient facts in the problem of meeting current needs of phosphate rock can be simply stated :

1. Negotiations with France for the supply of phosphate rock from North Africa for the 1945/46 growing season have resulted in an agreement to ship 100,000 tons only, an inadequate quantity when contrasted with the 500,000 tons allocated by the Combined Raw Materials Board, the 700,000 tons estimated current capacity of the fertilizer factories and the 1,000,000 tons of rock required to meet the normal need of the soil. (See Part II - The Need).

2. No more shipments are planned because France and Italy cannot agree on a method of payment.

3. In present conditions the Italian fertiliser factories can process 50,000 tons of phosphate rock per month. Therefore the total quantity that can be processed and applied in the 1945/46 growing season is 4 months capacity (February through May 1946) or 200,000 tons.

4. Italy has an immediate need of 200,000 tons out of the balance of the allocation by the Combined Raw Materials Board.

5. 200,000 tons of phosphate rock would cost the equivalent of approximately $ 3,400,000.

6. By a controlled use of this 200,000 tons of phosphate rock which would insure that it was used for maximizing the 1946 wheat harvest alone Italy could :

   a. Reduce by up to 800,000 tons her demand on world stocks of wheat in the year 1946/47.

   b. Avoid the expenditure of up to $ 80,000,000 from Italy's own resources of foreign currency in the year 1946/47. (See Part IV - The Cost and the Gain).

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APPENDIX "A" (continued)

The problem can be stated as follows :

1. To demonstrate the urgency of the need for additional phosphate rock.(See Part II).

2. To review the negotiations between France and Italy to date. (See Part III).

3. To demonstrate the cost and the possible gain involved. (See Part IV).

4. To suggest a means of financing the supply of phosphate rock that will be acceptable to France and to Italy and to insure the conclusion of an appropriate agreement between the two countries at once. (See Part V).

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APPENDIX "A" (continued)

PART II : THE NEED

In Italy, where, after centuries of cultivation, normal crop production is dependent on the use of adequate quantities of chemical fertilisers, superphosphate is vitally necessary.

Superphosphate is made by acidulating natural rock phosphate; a process which is carried out in plants scattered throughout Italy. One ton of Tunisian rock phosphate (33% of P_2O_5 content) provides 1.6 tons of superphosphate.

Italy has no deposits of phosphate rock and, in past years, her requirements have been met by importing large quantities from French North Africa (Tunisia).

During the period 1938 through 1941, the average yearly consumption of superphosphate by the whole of Italy, was 1,682,159 metric tons, entailing a yearly import of approximately 1,000,000 tons of phosphate rock.

However, even this large consumption does not represent the true requirements of the land today for during the period 1942 to the autumn of 1944 when Italy was cut off from phosphate rock supplies, and food production was merely depleting its reserves, the soil became progressively impoverished.

From October 1944 to June 1945 there was some improvement of strictly limited extent when it was possible to import approximately 100,000 tons of phosphate rock, which produced about 167,000 tons of superphosphate representing less than one tenth of normal requirements.

It was estimated that wheat production during the 1944/45 season was short by 360,000 tons due to the lack of fertiliser (costing the Allies $ 36,000,000 for replacement from abroad), and production of other cereals was reduced proportionately. The planting of beans, which are a major

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In Italy, where, after centuries of cultivation, normal crop production is dependent on the use of adequate quantities of chemical fertilisers, superphosphate is vitally necessary.

Superphosphate is made by acidulating natural rock phosphate; a process which is carried out in plants scattered throughout Italy. One ton of Tunisian rock phosphate (59% of P_2O_5 content) provides 1.6 tons of superphosphate.

Italy has no deposits of phosphate rock and, in past years, her requirements have been met by importing large quantities from French North Africa (Tunisia).

During the period 1938 through 1941, the average yearly consumption of superphosphate by the whole of Italy, was 1,688,155 metric tons, entailing a yearly import of approximately 1,000,000 tons of phosphate rock.

However, even this large consumption does not represent the true requirements of the land today for during the period 1942 to the autumn of 1944 when Italy was cut off from phosphate rock supplies, and food production was merely depleting its reserves, the soil became progressively impoverished.

From October 1944 to June 1945 there was some improvement of strictly limited extent when it was possible to import approximately 100,000 tons of phosphate rock, which produced about 167,000 tons of superphosphate representing less than one tenth of normal requirements.

It was estimated that wheat production during the 1944/45 season was short by 360,000 tons due to the lack of fertilizer (costing the Allies $ 36,000,000 for replacement from abroad), and production of other cereals was reduced proportionately. The planting of beans, which are a major item in the Italian diet, has been far below normal since 1943 because of the need for superphosphates. Since the drought cut domestic production to almost nothing, heavy imports of beans must be planned to supply one of the normally large-producing countries. As the shortage affects all crops, extra food imports will continue to be necessary until normal imports of rock phosphate are effected and converted into basic foodstuffs and forage crops.

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APPENDIX "A" (continued)

It has been estimated that for the 1945/46 planting season any quantity up to 1,800,000 metric tons of superphosphates would produce a corresponding increase in domestic crop production and its contribution to the Italian larder. The optimum requirement, in other words, is 1,800,000 metric tons, for the manufacture of which over 1,120,000 tons of natural phosphate rock would be required.

In June 1945, having regard to the limitations imposed by reduced chemical plant capacity on the production of superphosphate, the Allied Commission for Italy reported to the Combined Raw Materials Board that Italy's minimum requirements for the year July 1945 through June 1946 were estimated to be 700,000 tons of phosphate rock. Thereupon, the Combined Raw Materials Board made an allocation of 300,000 tons to be supplied by French North Africa (Tunisia) to Italy.

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APPENDIX "A" (continued)

PART III : THE NEGOTIATIONS

At the beginning of July 1945, negotiations were commenced between Italy and France with a view to assuring for Italy the delivery of this allocation of 500,000 tons of phosphate rock.

Meanwhile, France had expressed her desire to acquire certain Italian products, the chief being 100,000 tons of pyrites for which an allocation was made by the Combined Boards.

It was perhaps inevitable that, during the negotiations, the supply of French phosphates to Italy should have became directly related to and dependent on the sale to France of Italian pyrites plus certain other commodities including bergamot oil, mercury, etc. Unfortunately for Italy, the quantity of phosphates to be supplied by France came to be governed by the value of commodities which Italy could supply immediately in exchange.

It was not until October 1945 that an agreement was reached between the two countries. It provided for the shipment of 100,000 tons of phosphate rock from North Africa to Italy over the period November 1945 through February 1946.

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APPENDIX "A" (continued)

PART IV : THE COST AND THE GAIN

1. The cost of importing 200,000 tons of phosphate rock. The average cost of phosphate rock f.o.b. Sfax is 1,038 lire (£ 10.38) per ton. Present freight costs for delivery to Italian ports is £ 1. 6s. 6d. (£ 5.30) per ton. Allowing for port charges the cost of phosphate rock landed in Italy is therefore estimated at the equivalent of £ 17 per ton.

The total cost of financing the supply of 200,000 tons of rock (out of the balance of CCFB allocation) would therefore be the equivalent of £ 3,400,000.

2. The possible gain to Italy if 200,000 tons of phosphate rock is supplied. Since 200,000 tons is less than 40 % of the optimum requirement of phosphate rock, consideration must be given to the best use to which this quantity can be put. An uncontrolled distribution would, it is true, result in a greatly increased contribution by Italian agriculture to the Italian larder with the 1946 harvest. There is, however, one foodstuff, namely wheat, of which Italy does not produce enough to satisfy her needs on present ration scales, even with optimum supplies of superphosphate, and every ton of wheat short-produced in the harvest must be replaced by costly imports of wheat from overseas. Therefore, the gain to Italy from the provision of this 200,000 tons of phosphate rock, in terms of foreign exchange, will be almost entirely determined by the success with which the Government enforces the direction of an optimum part of this quantity towards maximizing the wheat harvest in 1946.

What gain the Government might achieve by a controlled distribution with this objective can be estimated only by considering a number of theoretical factors. The step-by-step arguments which lead to the conclusion reached on this point in this paper are therefore set out in full below.

a. (1) 1 ton of Tunisian phosphate rock (58% of P2O5 content) will make 1.6 tons of superphosphate. (Industry & Utilities S/C).

(2) 1 ton of superphosphate applied to the Italian wheat fields in 1945/46 would result in the production of 2 to 4 additional tons

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costs for delivery to Italian ports is £ 1. 6s. 6d. (£ 5.30) per ton. Allowing for port charges the cost of phosphate rock landed in Italy is therefore estimated at the equivalent of £ 17 per ton.

The total cost of financing the supply of 200,000 tons of rock (out of the balance of CCC allocation) would therefore be the equivalent of £ 3,400,000.

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What gain the Government might achieve by a controlled distribution with this objective can be estimated only by considering a number of theoretical factors. The step-by-step arguments which lead to the conclusion reached on this point in this paper are therefore set out in full below.

a. (1) 1 ton of Tunisian phosphate rock (58% of P205 content) will make 1.6 tons of superphosphate. (Industry & Utilities S/C).

(2) 1 ton of superphosphate applied to the Italian wheat fields in 1945/46 would result in the production of 2½ to 5½ additional tons of wheat in the 1946 harvest. (Food & Agriculture S/C).

(3) Therefore, 1 ton of phosphate rock rock imported and applied to the wheat fields as superphosphate in the growing season 1945/46 would result in the production of at least four additional tons of wheat in the 1946 harvest.

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APPENDIX "A" (continued)

b. (1) An average wheat harvest, given full application of fertilizer, would yield 6,500,000 tons in 1946 (Food & Agriculture S/C). If only 10% of the normal requirement of fertiliser is applied, the wheat harvest will be reduced by between 15% and 20% (Food & Agriculture S/C) i.e., by at least 1,000,000 tons.

(2) Therefore, every ton of phosphate rock up to a maximum of 200,000 tons, imported and applied to the wheat fields as superphosphate in the growing season 1945/46, would result in the production of at least four additional tons of wheat in the 1946 harvest.

c. (1) A normal wheat harvest in 1946 (6,500,000 tons) would not be sufficient to meet the total Italian domestic needs on present ration scales. (Food & Agriculture S/C).

(2) Therefore, for every ton of wheat by which the 1946 harvest falls short of normal one additional ton must be imported from abroad in the year between the 1946 and 1947 harvests.

(3) At current prices imported wheat costs £ 100 per ton landed in Italy.

(4) Therefore, by importing 200,000 tons of phosphate rock and applying it as superphosphate to the wheat fields only in the growing season 1945/46 imports of wheat in the year between the 1946 and 1947 harvests could be reduced by 800,000 tons and the expenditure of foreign currency avoided to an amount of £ 80,000,000 in that year.

d. (1) World stocks of wheat are low due to the war in Europe and to the poor harvests in 1945 in many wheat exporting countries.

(2) An avoidable import requirement of 800,000 tons of wheat into Italy would be an avoidable drain on world stocks in the year 1946/47.

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6,500,000 tons in 1946 (Food & Agriculture S/C). If only 10% of the normal requirement of fertilizer is applied, the wheat harvest will be reduced by between 15% and 20% (Food & Agriculture S/C) i.e., by at least 1,000,000 tons.

(2) Therefore, every ton of phosphate rock up to a maximum of 250,000 tons, imported and applied to the wheat fields as superphosphate in the growing season 1945/46, would result in the production of at least four additional tons of wheat in the 1946 harvest.

c. (1) A normal wheat harvest in 1946 (6,500,000 tons) would not be sufficient to meet the total Italian domestic need on present ration scales. (Food & Agriculture S/C).

(2) Therefore, for every ton of wheat by which the 1946 harvest falls short of normal one additional ton must be imported from abroad in the year between the 1946 and 1947 harvests.

(3) At current prices imported wheat costs $ 100 per ton landed in Italy.

(4) Therefore, by importing 200,000 tons of phosphate rock and applying it as superphosphate to the wheat fields only in the growing season 1945/46 imports of wheat in the year between the 1946 and 1947 harvests could be reduced by 800,000 tons and the expenditure of foreign currency avoided to an amount of $ 80,000,000 in that year.

d. (1) World stocks of wheat are low due to the war in Europe and to the poor harvests in 1945 in many wheat exporting countries.

(2) An avoidable import requirement of 800,000 tons of wheat into Italy would be an avoidable drain on world stocks in the year 1946/47.

(3) Therefore, failure to import phosphate rock and to apply it to the Italian wheatfields as superphosphate in the growing season 1945/46 would result in Italy making avoidable demands on world stocks of wheat in the year between the 1946 and 1947 harvests.

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APPENDIX "A" (continued)

e. (1) The UNRRA program of supplies to Italy will not continue beyond the end of 1946 and present plans are that UNRRA will not finance the import of wheat after the 1946 harvest.

(2) Therefore UNRRA funds will not be available to finance the importation of wheat to replace any quantity by which the 1946 wheat harvest falls short of normal.

(3) No other gratuitous aid (of major importance) is expected to be available to Italy after the UNRRA operation finishes.

(4) Therefore Italy must itself finance, from its own resources of foreign exchange the importation of wheat to replace any quantity by which the 1946 harvest falls short of normal.

f. Therefore, in theory, by importing 200,000 tons of phosphate rock and applying it as superphosphate to the wheat fields only, in the growing season 1945/46, Italy could :

(1) Reduce by 300,000 tons her demand on the world stocks of wheat in the year 1946/47.

(2) Avoid the expenditure of up to $ 20,000,000 from her own resources of foreign currency in that year.

available to finance the importation of wheat to replace any quantity by which the 1946 wheat harvest falls short of normal.

(3) No other gratuitous aid (of major importance) is expected to be available to Italy after the UNRRA operation finishes.

(4) Therefore Italy must itself finance, from its own resources of foreign exchange the importation of wheat to replace any quantity by which the 1946 harvest falls short of normal.

f. Therefore, in theory, by importing 200,000 tons of phosphate rock and applying it as superphosphate to the wheat fields only, in the growing season 1945/46, Italy could :

(1) Reduce by 800,000 tons her demand on the world stocks of wheat in the year 1946/47.

(2) Avoid the expenditure of up to $ 80,000,000 from her own resources of foreign currency in that year.

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APPENDIX "A" (continued)

PART V : PAYMENT

At first sight, the problem of financing the supply of phosphate rock from French North Africa to Italy may appear to be in the nature of negotiating a normal trade agreement, but the foregoing examination shows that there is at least one aspect of the problem of international importance over and above the interests of France and Italy.

The party which stands to gain most from the conclusion of an agreement to supply the phosphate rock is Italy, as has been clearly demonstrated, and the question the Italian Government has to answer - is it to Italy's advantage to find the means of financing now a $ 5,500,000 purchase which could be the means of saving up to $ 80,000,000 expenditure of Italian foreign currency holdings a year from now ? - can only be answered in the affirmative.

Italy can, of course, offer to pay France in goods or services. That, however, was the basis of the negotiations which dragged on from July through October 1945, and resulted in the agreement to ship only 100,000 tons. There is no practical basis for hope that further negotiations on this basis, for an exchange of Italian goods and services for French phosphate rock, could possibly be successfully concluded before it is too late to get the resultant superphosphate under the 1946 crop.

It is the same factor of pressing urgency at this late date that appears to make it undesirable that Italy should now endeavour to negotiate with France on the basis of France supplying the rock on credit terms covering a part or the whole of the purchase price. Such negotiations necessarily conducted through diplomatic channels, would by their very nature be so prolonged that even a successful conclusion would in all probability be reached too late to affect the 1946 harvest.

It appears clear that, because of the time factor, France should now be asked to sell the 200,000 tons of rock on a "cash on the barrelhead" basis.

Italy's present resources of unblocked foreign currencies are very limited but are sufficient to cover an

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of international importance over and above the interests of France and Italy.

The party which stands to gain most from the conclusion of an agreement to supply the phosphate rock is Italy, as has been clearly demonstrated, and the question the Italian Government has to answer - is it to Italy's advantage to find the means of financing now a $ 3,500,000 purchase which could be the means of saving up to $ 80,000,000 expenditure of Italian foreign currency holdings a year from now? - can only be answered in the affirmative.

Italy can, of course, offer to pay France in goods or services. That, however, was the basis of the negotiations which dragged on from July through October 1945, and resulted in the agreement to ship only 100,000 tons. There is no practical basis for hope that further negotiations on this basis, for an exchange of Italian goods and services for French phosphate rock, could possibly be successfully concluded before it is too late to get the resultant superphosphate under the 1946 crop.

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It appears clear that, because of the time factor, France should now be asked to sell the 200,000 tons of rock on a "cash on the barrelhead" basis.

Italy's present resources of unblocked foreign currencies are very limited but are sufficient to cover an offer to France of $ 3,500,000 in "good" currency.

Alternatively, there seems little doubt that, on the basis of the kind of review made in this paper, a case could be made out to justify UNRRA financing the purchase. The UNRRA supply program for Italy will be limited to a fixed sum of money. If Italy should request UNRRA to include in its program the financing of this purchase of phosphate rock and UNRRA agrees, she would have to accept a corresponding cutback elsewhere in the program.

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APPENDIX "B"

Translation

The President of the Council of Ministers

56340/1260.22/19.8 Rome, 22 January 1946

Dear Admiral,

For a long time, the A.C., realizing the importance of phosphate supplies, tried to receive Italian requests with the greatest comprehension.

During the period October 1944-February 1945, while transports from North Africa were used for war operations, 100,000 tons of mineral were imported; such an amount was considerable inferior to the requirements, but it represented the maximum of shipping that could be put at our disposition at that time.

However, the supplies for the 1945-46 campaign have been considerably reduced in spite of the change in general conditions.

In the agreements made in spring between the Italian Government and the Allied Governments, the following allocation was made to Italy for July 1945-June 1946 campaign:

700,000 tons of phosphate of which 500,000 were to be supplied certainly and rapidly; 200,000 to be supplied according to the production possibilities of the Italian plants.

Of this amount, only 9,000 (nine thousand) tons have arrived till now.

The position of phosphate imports from North Africa is at present as follows:

a. From the commercial and monetary point of view, the agreement with the French Government, reached after long negotiations, include a compensation on the temporary basis of 100,000 tons Italian pyrite against 80,000 tons phosphates only, a final settlement according to the arbitral decisions of the Combined Boards excepted. More negotiations are taking place; the Italian side, to obtain a larger amount of phosphate, agreed to other requests for compensations in essential oils and essences, amounting to 37 million lire, while the possibility of exporting raw silk of

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Dear Admiral,

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During the period October 1944-February 1945, while transports from North Africa were used for war operations, 100,000 tons of mineral were imported; such an amount was considerable inferior to the requirements, but it represented the maximum of shipping that could be put at our disposition at that time.

However, the supplies for the 1945-46 campaign have been considerably reduced in spite of the change in general conditions.

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Of this amount, <u>only 9,000 (nine thousand) tons</u> have arrived till now.

The position of phosphate imports from North Africa is at present as follows:

a. From the commercial and monetary point of view, the agreement with the French Government, reached after long negotiations, include a compensation on the temporary basis of 100,000 tons Italian pyrite against 80,000 tons phosphates only, a final settlement according to the arbitral decisions of the Combined Boards excepted. More negotiations are taking place; the Italian side, to obtain a larger amount of phosphate, agreed to other requests for compensations in essential oils and essences, amounting to 77 million lire, while the possibility of exporting raw silk of which 250,000 kg. have been asked by the French side is being examined. Long ago, the State Department sent a memorandum on such a matter to the Allied Commission to bring the negotiations to a speedy end.

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b. From the point of view of transport, the shipping made available till now is completely inadequate. It would be necessary for allied nations to put at the disposition of Italy a number of ships assuring regular and timely supplies of such minerals; to this end, the possibility of using means belonging to the Navy might be studied.

On the other hand, for the present moment, the Italian Government doesn't see the possibility of taking advantage of import currents other than the one from North Africa. The negotiations which are taking place with the authorities of North America gave no positive results, for it is impossible to obtain the necessary shipping, and negotiations with UNRRA have just begun, and the hoped for concrete result won't materialize in time.

Therefore, in the present conditions, the fertilizer to be distributed to Italian farmers is so inadequate considering the requirements, that the next crop is seriously compromised. To this we must add that the transforming of the raw mineral into fertilizer would give work to the Montecatini plants and to other Italian plants which are at present at a standstill because of the lack of raw material, thus causing unemployment and the ensuing inconveniences.

I thought it well to bring this matter to your attention in all its particulars, trusting in your support with the Allied authorities in charge, whether Allied or French, so that all the obstacles to a speedy and regular supplying of such a mineral may be removed.

Believe me,

Sincerely yours,

/s/ Alcide De Gasperi

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

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Therefore, in the present conditions, the fertilizer to be distributed to Italian farmers is so inadequate considering the requirements, that the next crop is seriously compromised. To this we must add that the transforming of the raw mineral into fertilizer would give work to the Montecatini plants and to other Italian plants which are at present at a standstill because of the lack of raw material, thus causing unemployment and the ensuing inconveniences.

I thought it well to bring this matter to your attention in all its particulars, trusting in your support with the Allied authorities in charge, whether Allied or French, so that all the obstacles to a speedy and regular supplying of such a mineral may be removed.

Believe me,

Sincerely yours,

/s/ Alcide De Gasperi

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

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APPENDIX "C"

AGREEMENT No. 3 to the Contract of Phosphate F.C.B.
No. 54 of 17 May, 1945

Between the undersigned:

LE COMPTOIR DES PHOSPHATES DE L'AFRIQUE DU NORD, represented by monsieur LE CORNEC, President-managing director general, on one side and

LA SOCIETA' ITALIANA PER IL COMMERCIO ESTERO ANONIMA (S.I.C.E.A.) Via Marche 1 - Rome, in substitution of Istituto Commercio Estero (I.C.E.) Rome, for the purchase of phosphate rock for Italy, represented by signor Salvatore LICCIARDI, on the other side

it has been agreed as follows:

Article 1.

The contract no. 54 of 17 May 1945 provides that in the case that the franc should undergo variations greater than 5% in relation to the Pound Sterling equal to 200 Frs. (two hundred francs), the COMPTOIR should have the right to revise its prices.

The 63,600 (sixty three thousand five hundred) tons which were object of this contract have been delivered.

Article 2.

The agreement No. 1 to the above mentioned contract provided that an additional tonnage of 50,000 tons (fifty thousand) to be delivered on account of year 1945, should be sold at the same conditions. On the basis of this contract 11,185 tons (eleven thousand hundred and eighty five) have been loaded before the "stabilization" of the franc. This 11,185 tons represents a total sum of Frs. 4,084,399 (four million nine hundred eighty four thousand three hundred ninety.nine) which have been charged to the account of S.I.C.E.A. and have not yet been paid for in Paris.

Article 3.

On 30 October, 1945, the COMPTOIR DES PHOSPHATES entered into an agreement No. 2 with S.I.C.E.A. for deliveries from 1 January 1946, until 28 February, of an additional tonnage of

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Between the undersigned:

LE COMPTOIR DES PHOSPHATES DE L'AFRIQUE DU NORD, represented by monsieur LE CORNEC, President-managing director general, on one side and

LA SOCIETA' ITALIANA PER IL COMMERCIO ESTERO ANONIMA (S.I.C.E.A.) Via Marche 1 - Rome, in substitution of Istituto Commercio Estero (I.C.E.) Rome, for the purchase of phosphate rock for Italy, represented by signor Salvatore LICCIARDI, on the other side

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Article 3.

On 30 October, 1945, the COMPTOIR DES PHOSPHATES entered into an agreement No. 2 with S.I.C.E.A. for deliveries from 1 January 1946, until 28 February, of an additional tonnage of 50,000 tons (fifty thousand) of which 10,000 (ten thousand) were to be loaded in December 1945 in anticipation.

The prices in this agreement have been established in U.S.A. dollars on the basis of:

quality	65/68%	$12.00
"	63/65%	$10.00
"	58/63%	$ 8.98

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In the letter dated 29 December, 1945, S.I.C.E.A. informed the COMPTOIR DES PHOSPHATES that the additional agreement No.5 had been duly signed and the COMPTOIR loaded the ships "CHERCA" and "SPINGE" respectively on 8 and 9 January.

The total amounts of the invoices sent to S.I.C.E.A. are the following:

SS "CHERCA" 7,806.01 tons at $12.06 = $94,236.62 (ninety four thousand two hundred ninety six dollars and sixty two cents) - expenses in port Frs. 159,107.70 (hundred fifty nine thousand, seven hundred seven Frs. seventy centimes).

SS "SPINGE" 7,096,37 tons at $8.96 = $63,725.45 (sixty three thousand seven hundred twenty five dollars and forty five cents).

These invoices have not yet been paid in Paris.

Article 4.

In consequence of the stabilisation of the 26 December 1945, it has been decided:

a. to establish prices for all loadings after 1 January 1946, both for the tonnages included in the above mentioned agreements and for the new quantities contracted for subject of further contracts at the following prices f.o.b.:

65/68% $9.00
63/65% $7.50
58/63% $6.30

The buyers are empowered to pay the accounts in French francs at the rate of exchange in Paris on the day of payment.

b. as to annex to Contract No. 54 of 17 May, 1945, the rates of the agency will be, after 1 January, 1946, £ 15.00 (fifteen pounds sterling) instead of 3,000 (three thousand) francs, and the demurrage £ 0.0.4d (four pence) instead of Frs. 3 (three) by ton of gross tonnage by day or fraction of day pro rata.

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the COMPTOIR DES PHOSPHATES that the additional agreements had been duly signed and the COMPTOIR loaded the ships "CHERCA" and "SFINGE" respectively on 3 and 8 January.

The total amounts of the invoices sent to S.I.C.E.A. are the following:

SS "CHERCA" 7,806.01 tons at $12.06 = $94,296.62 (ninety four thousand two hundred ninety six dollars and sixty two cents) - expenses in port Frs. 159,107.70 (hundred fifty nine thousand, seven hundred seven Frs. seventy centimes).

SS "SFINGE" 7,096.37 tons at $8.98 = $63,725.45 (sixty three thousand seven hundred twenty five dollars and forty five cents).

These invoices have not yet been paid in Paris.

Article 4.

In consequence of the stabilization of the 28 December 1945, it has been decided:

a. to establish prices for all loadings after 1 January 1946, both for the tonnages included in the above mentioned agreements and for the new quantities contracted for subject of further contracts at the following prices f.o.b. :

65/66% $9.00
63/65% $7.50
58/63% $6.30

The buyers are empowered to pay the accounts in French francs at the rate of exchange in Paris on the day of payment.

b. as to annex to Contract No. 54 of 17 May, 1945, the rates of the agency will be, after 1 January, 1946, £ 15.00 (fifteen pounds sterling) instead of 3,000 (three thousand) francs, and the demurrage £ 0.0.4d (four pence) instead of Frs. 3 (three) by ton of gross tonnage by day or fraction of day pro rata.

Article 5.

The COMPTOIR reserves the right to modify its prices at any time with two months notice: the Buyers reserve the right to cancel the quantities still to be delivered after the end of the two month period, in the case that a new agreement on prices has not been reached in the two month period, and the Buyers were not willing to accept the new prices settled by the COMPTOIR.

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Article 6.

The COMPTOIR declares that it is willing to adjust the invoices relating to the ships "CHERCA" & "SFINGE" to the conditions settled in Article 4.

Consequently the amounts to be paid are the following:

SS "CHERCA" $70,254.09 (seventy thousand two hundred fifty four dollars and nine cents) instead of $84,298.62 expenses in port Frs. 163,303.20 (hundred sixty three thousand three hundred and three frs. twenty centimes) instead of Frs. 159,107.70.

SS "SFINGE" $44,707.13 (forty four thousand seven hundred and seven dollars, thirteen cents) instead of $63,725.45.

Article 7.

The quantities to be delivered for 1946 shall include 88,000 tons (eighty eight thousand tons) of the quantities already contracted for and not yet delivered, with an additional tonnage which shall bring up the entire sales for the year to about 500,000 (five hundred thousand) tons.

The quantities to be shipped initially shall be those not yet loaded: that is, 88,000 (eighty eight thousand) tons

Of these 88,000 tons, 54,000 (fifty four thousand) tons shall be taken on the choice of the COMPTOIR of 55/63% or 63/65% quality, and 34,000 (thirty four thousand) in 65/68% quality.

After these quantities have been shipped the other loadings shall be in lots in the following proportions:

50% in 55/63% or 63/65% at the choice of the sellers
50% in 65/68%.

The COMPTOIR stipulates that every month 10,000 (ten thousand) tons shall be shipped from Tunis, quality Kasba-Djerda.

The deliveries shall be made with the greatest monthly regularity possible. The Sellers declare to the Buyers that only exceptionally will it be possible to reach a monthly delivery of 60,000 (sixty thousand) tons.

Article 8.

...ses relating to the ships "CHERCA" & "SFINGE" to the conditions settled in Article 4.

Consequently the amounts to be paid are the following:

SS "CHERCA" $70,254.09 (seventy thousand two hundred fifty four dollars and nine cents) instead of $94,236.62 expenses in port Frs. 163,303.20 (hundred sixty three thousand three hundred and three frs. twenty centimes) instead of Frs. 159,107.70.

SS "SFINGE" $44,707.13 (forty four thousand seven hundred and seven dollars, thirteen cents) instead of $63,725.45.

Article 7.

The quantities to be delivered for 1926 shall include 88,000 tons (eighty eight thousand tons) of the quantities already contracted for and not yet delivered, with an additional tonnage which shall bring up the entire sales for the year to about 500,000 (five hundred thousand) tons.

The quantities to be shipped initially shall be those not yet loaded: that is, 88,000 (eighty eight thousand) tons.

Of these 88,000 tons, 54,000 (fifty four thousand) tons shall be taken on the choice of the COMPTOIR of 55/63% or 63/65% quality, and 34,000 (thirty four thousand) in 65/68% quality.

After these quantities have been shipped the other loadings shall be in lots in the following proportions:

50% in 55/63% or 63/65% at the choice of the sellers
50% in 65/68%.

The COMPTOIR stipulates that every month 10,000 (ten thousand) tons shall be shipped from Tunis, quality Kasla-Djerda.

The deliveries shall be made with the greatest monthly regularity possible. The Sellers declare to the Buyers that only exceptionally will it be possible to reach a monthly delivery of 60,000 (sixty thousand) tons.

Article 8.

On receipt of the invoices or occasional debits for 2093 payments, S.I.C.E.A. shall (according to the agreement on Franco-Italian payments, that is, through the Italian Exchange Office) pay through the debit of the account in francs of the Exchange Office at the Banque de France in Paris, the amount in francs of the invoices of the COMPTOIR. For this purpose the Italian Ex-

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change Office shall ask the Banque de France to transfer the equivalent sum to the credit of the COMPTOIR des PHOSPHATES de l'Afrique du Nord at the COMPAGNIE ALGERIENNE - CHE DE CREDIT Bque DE BANQUE, 50 rue d'Anjou in Paris. S.I.C.E.A. shall ask the Italian Exchange Office to order this transfer by telegram and S.I.C.E.A. shall inform the COMPTOIR by the same means.

The COMPTOIR des PHOSPHATES de l'Afrique du Nord states that it shall be, with great regret, obliged to suspend the loadings if it shall not be regularly credited in Paris in the amounts which are due to it. Particularly the settling of the invoices detailed in articles 2 and 8 here above, as well as the amounts to be requested for the deliveries in January and February, must be settled at the latest by 1 March, 1948.

Article 9.

In the case that the goods come under any form of duty, taxes, customs from the French Government or the Governments of Algeria or Tunis, the price of the goods shall be raised by the same amount.

However, the COMPTOIR des PHOSPHATES shall inform S.I.C.E.A. by cable, stating the amount of the aforesaid additional charges.

In the case that S.I.C.E.A. would not want to accept these additional expenses it must inform the COMPTOIR by cable within two weeks, stating the quantity which it has already accepted and wishes to be loaded.

For the goods already loaded, having been accepted the Buyers will pay the supplementary charges.

It is finally stated that for all the goods which are loaded on ships which are in the port of loading or are being loaded at the time of introduction of these new charges, the Buyers shall bear these new charges excepting the case in which the contract has been cancelled by S.I.C.E.A. as indicated here above.

Article 10.

The execution of this contract shall depend upon the agreement of the competent authorities in the two countries.

It is in no other way derogated to the clauses and conditions of deal No. 54.

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

...it shall be, with great regret, obliged to suspend the loadings if it shall not be regularly credited in Paris in the amounts which are due to it. Particularly the settling of the invoices detailed in articles 2 and 8 here above, as well as the amounts to be requested for the deliveries in January and February, must be settled at the latest by 1 March, 1948.

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In the case that the goods come under any form of duty, taxes, customs from the French Government or the Governments of Algeria or Tunis, the price of the goods shall be raised by the same amount.

However, the COMPTOIR des PHOSPHATES shall inform S.I.C.E.A. by cable, stating the amount of the afor said additional charges.

In the case that S.I.C.E.A. would not want to accept these additional expenses it must inform the COMPTOIR by cable within two weeks, stating the quantity which it has already accepted and wishes to be loaded.

For the goods already loaded, having been accepted the Buyers will pay the supplementary charges.

It is finally stated that for all the goods which are loaded on ships which are in the port of loading or are being loaded at the time of introduction of these new charges the Buyers shall bear these new charges except in the case in which the contract has been cancelled by S.I.C.E.A. as indicated here above.

Article 10.

The execution of this contract shall depend upon the agreement of the competent authorities in the two countries.

It is in no other way derogated to the clauses and conditions of deal No. 54.

Done in Rome, February the 2nd, 1948

FOR THE COMPTOIR des PHOSPHATES
de l'AFRIQUE du NORD

The President General Manager

signed: LE CORNEC

FOR THE SOCIETA' ITALIANA
PER IL COMMERCIO ESTERO
(S.I.C.E.A.)

The Managing Director

signed: C. BICCIARDI

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Declassified E.O. 12356 Section 3.3/NND No. 785013

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APPENDIX "D"

Translation

MINISTERO DEL COMMERCIO CON L'ESTERO
(Ministry for Foreign Trade)

Rome, 2 February 1946

SUBJECT: Purchase of Tunisian phosphate rock.

To : Allied Commission
Commerce Sub-Commission

1. Referring to the conversation you had with Comm. Di Nola, concerning the above indicated subject, information is given that the contract for purchasing 500,000 tons of phosphate rock will be signed today between COMPTOIR des PHOSPHATES, on behalf of the sellers and S.I.C.E.A. on behalf of the buyers.

2. This contract provides for the delivery in 1946 of 88,000 tons, which are still to be delivered on the quantities previously negotiated but not yet delivered, plus a further quantity sufficient to bring the total to 500,000 tons, subject of today's contract.

3. It is also added that the Italian Government expects soon to reach an agreement with the French Government whereby it will be possible to provide for the payment of phosphate rock by exchange with part of the goods which Italy will be able to supply to France.

4. In the case, which is considered improbable, that the agreement under discussion cannot be concluded, the Italian Government will provide in a different way to put at the disposal of Italian buyers the means of foreign payment necessary to pay for the imported phosphate rock.

5. An urgent request is addressed to AC to apply to the Allied Governments for the provision of the necessary ships, for the importation of phosphate rock.

6. It is furthermore added that the clause of delive[illegible] included in the contract, provides for a monthly maximum quantity

Rome, 2 February 1946

SUBJECT: Purchase of Tunisian phosphate rock.

To : Allied Commission
Commerce Sub-Commission

1. Referring to the conversation you had with Comm. Di Nola, concerning the above indicated subject, information is given that the contract for purchasing 500,000 tons of phosphate rock will be signed today between COMPTOIR des PHOSPHATES, on behalf of the sellers and S.I.C.E.A. on behalf of the buyers.

2. This contract provides for the delivery in 1946 of 88,000 tons, which are still to be delivered on the quantities previously negotiated but not yet delivered, plus a further quantity sufficient to bring the total to 500,000 tons, subject of today's contract.

3. It is also added that the Italian Government expects soon to reach an agreement with the French Government whereby it will be possible to provide for the payment of phosphate rock by exchange with part of the goods which Italy will be able to supply to France.

4. In the case, which is considered improbable, that the agreement under discussion cannot be concluded, the Italian Government will provide in a different way to put at the disposal of Italian buyers the means of foreign payment necessary to pay for the imported phosphate rock.

5. An urgent request is addressed to AC to apply to the Allied Governments for the provision of the necessary ships, for the importation of phosphate rock.

6. It is furthermore added that the clause of delivery 209.
included in the contract, provides for a monthly maximum quantity of 60,000 tons, with the understanding that the quantity to be delivered each month shall be further determined on the basis of agreements between the selling and the buying parties.

THE MINISTER

/s/ Ugo La Malfa

Declassified E.O. 12356 Section 3.3/NND No. 785013

APPENDIX "B"

FROM: HQ ALCOM 8 February 1946

TO : TROOPERS RPTD AGWAR FOR CCS FOR CCAC FOR CLAC RPTD ARMQ FOR FHGEG

RPTD UMA ZONE 3 COMMITTEE NAPLES
RPTD WSA MED NAPLES RPTD MOVTR ROME

THIS IS TAP 175. UNCLASSIFIED

Subject is Phosphate Rock for Italy.

1. PAT 203 refers.

2. Contract signed 5 February between COMPTOIR des PHOSPHATES de l'AFRIQUE du NORD and SICEA (SOCIETA ITALIANA PER IL COMMERCIO ESTERO ANONIMA, which has replaced ISTITUTO COMMERCIO ESTERO as Italian Government agent for the purchase of phosphate rock) for the supply of 500,000 tons rock in 1946. This tonnage includes 80,000 tons balance of old contract undelivered at 1 January 1946.

3. Italian Government hopeful of concluding commercial agreement with France in near future which would provide inter alia for payment for phosphate rock supplied under above contract. Meanwhile, Government has given written assurance to Allied Commission that in the event, considered by Government as improbable, that commercial agreement with France is not concluded, it will provide in some other way for the payment by the buyers for phosphate rock supplied under this contract.

4. SICEA strongly desires deliver Italy by end of March 50,350 tons balance of old contract still undelivered.

5. Ships presently assigned this trade are "SPINGE" 7,200 tons and "CHERCA" 7,800 tons. ALCOM supports SICEA request assignment of additional 16,000 tons of shipping (including two ships of 3/4,000 tons to load 10,000 tons rock per month at Tunis where larger ships cannot anchor). With this additional shipping it will probably be possible to complete desired deliveries by end March and if 30,000 tons of shipping is continuously engaged exclusively in this service rest of 1946 can deliver balance of contracted supply in the year on basis of expected three trips every two months.

6. In view of grave world shortage foodstuffs and consequent necessity for

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

RPTD WSA MED NAPLES RPTD MWTR ROME

THIS IS TAP 175. UNCLASSIFIED

Subject is Phosphate Rock for Italy.

1. PAT 203 refers.

2. Contract signed 5 February between COMPTOIR des PHOSPHATES de l'AFRIQUE du NORD and SICEA (SOCIETA ITALIANA PER IL COMMERCIO ESTERO ANONIMA, which has replaced ISTITUTO COMMERCIO ESTERO as Italian Government agent for the purchase of phosphate rock) for the supply of 500,000 tons rock in 1946. This tonnage includes 80,000 tons balance of old contract undelivered at 1 January 1946.

3. Italian Government hopeful of concluding commercial agreement with France in near future which would provide inter alia for payment for phosphate rock supplied under above contract. Meanwhile, Government has given written assurance to Allied Commission that in the event, considered by government as improbable, that commercial agreement with France is not concluded, it will provide in some other way for the payment by the buyers for phosphate rock supplied under this contract.

4. SICEA strongly desires deliver Italy by end of March 50,350 tons balance of old contract still undelivered.

5. Ships presently assigned this trade are "SFINGE" 7,200 tons and "CHERCA" 7,800 tons. ALCOM supports SICEA request assignment of additional 15,000 tons of shipping (including two ships of 3/4,000 tons to load 10,000 tons rock per month at Tunis where larger ships cannot anchor). With this additional shipping it will probably be possible to complete desired deliveries by end March and if 30,000 tons of shipping is continuously engaged exclusively in this service rest of 1946 can deliver balance of contracted supply in the year on basis of expected three trips every two months.

6. In view of grave world shortage foodstuffs and consequent necessity for increasing to the maximum Italy's ability to feed herself, for which this contracted tonnage of phosphate rock is an essential requirement, ALCOM requests SLA secretariat London to present case to UMA in terms which will assure immediate and sympathetic consideration of Italian Government application for this shipping currently being presented through UMA channels.

Commerce (Foreign Trade) Sub-Commission
/s/ Lt. Col. F. W. Tooby
/s/ Charles W. Walton, Colonel.

G. J. LEONE
CWO, USA
Asst. Adjutant

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APPENDIX "F"

Ref: AC/5201/2/Commerce 14 February 1946

My dear Mr. Prime Minister:

I have studied your letter of 22 January on the subject of shipments of phosphate rock from North Africa to Italy.

As you are aware, the previous agreement between the French and your Government was not concluded until the first week in November, after protracted negotiations. Had the agreement been concluded some months earlier, shipping was available in the Mediterranean but these vessels have now been returned to Great Britain and other countries. It is regrettable that this shipping could not have been used, because supplies of phosphate rock were thereby lost to Italy which, converted to superphosphate, would have improved the 1946 harvest and thereby lessened Italy's need to draw on the world's already short food supplies.

The new agreement between the Societa Italiana per il Commercio Estero and Le Comptoir des Phosphates de l'Afrique du Nord, you will agree, changes the situation as outlined in your letter. In view of the great importance to the Italian economy of an adequate supply of fertilizers, I am pleased to note that the new contract is for 500,000 tons of rock to be delivered in 1946.

Allied Commission will do all in its power to help you to obtain the shipping required to carry this quantity of rock to the Italian ports where it is needed. I must remind you, however, that the responsibility for obtaining this shipping now rests primarily with the Italian Ministries concerned, which should present the Government's case, through your Ministry of Marine, to the United Maritime Authority.

I am informed that two ships are already assigned to the phosphate rock movement, the "SFINGE" (7,200 tons) and the "CHERCA" (7,800 tons). With an additional 16,000 tons of shipping (including two ships of 3/4000 tons to carry 10,000 tons a month from Tunis where larger ships cannot anchor), there would be a sufficient capacity available to deliver to Italian ports in 1946 the total tonnage agreed on in the new contract at the rate of 45,000 tons of rock per month. This calculation is based on the assumption that 30,000 tons of shipping remains continuously and exclusively in this service for the remainder of 1946.

of shipments of phosphate rock from North Africa to Italy.

As you are aware, the previous agreement between the French and your Government was not concluded until the first week in November, after protracted negotiations. Had the agreement been concluded some months earlier, shipping was available in the Mediterranean but these vessels have now been returned to Great Britain and other countries. It is regrettable that this shipping could not have been used, because supplies of phosphate rock were thereby lost to Italy which, converted to superphosphate, would have improved the 1946 harvest and thereby lessened Italy's need to draw on the world's already short food supplies.

The new agreement between the Societa Italiana per il Commercio Estero and Le Comptoir des Phosphates de l'Afrique du Nord, you will agree, changes the situation as outlined in your letter. In view of the great importance to the Italian economy of an adequate supply of fertilisers, I am pleased to note that the new contract is for 600,000 tons of rock to be delivered in 1946.

Allied Commission will do all in its power to help you to obtain the shipping required to carry this quantity of rock to the Italian ports where it is needed. I must remind you, however, that the responsibility for obtaining this shipping now rests primarily with the Italian Ministries concerned, which should present the Government's case, through your Ministry of Marine, to the United Maritime Authority.

I am informed that two ships are already assigned to the phosphate rock movement, the "SFINGE" (7,200 tons) and the "CHERCA" (7,300 tons). With an additional 15,000 tons of shipping (including two ships of 3/4000 tons to carry 10,000 tons a month from Tunis where larger ships cannot anchor), there would be a sufficient capacity available to deliver to Italian ports in 1946 the total tonnage agreed on in the new contract at the rate of 45,000 tons of rock per month. This calculation is based on the assumption that 30,000 tons of shipping remains continuously and exclusively in this service for the remainder of 1946.

I would urge, therefore, that the Interested Ministries, through the Ministry of Marine, should acquaint the United Maritime Authority at once with the importance of these s[illegible] to Italy and ask the authority to ensure that not only the two ships presently assigned but also the additional ships of the total tonnage I have indicated above, are kept continuously on this haul with the object of delivering the balance of the 600,000 tons by the end of the current year.

2091

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

A cable has been sent to London asking that the urgency of your need shall be made clear to the United Maritime Authority there. The application by your Ministry of Marine for this shipping will thereby be assured of sympathetic consideration.

Yours very truly,

/s/ M. S. LUSH
Brigadier,
Acting Chief Commissioner

Dott. Alcide DE GASPERI
President of the Council of Ministers
Italian Government
ROME

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

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

Ref: AC/5201/2/Commerce

11 February, 1946

My dear Mr. Prime Minister:

I have studied your letter of 22 January on the subject of shipments of phosphate rock from North Africa to Italy.

As you are aware, the previous agreement between the French and your Government was not concluded until the first week in November, after protracted negotiations. Had the agreement been concluded some months earlier, shipping was available in the Mediterranean but these vessels have now been returned to Great Britain and other countries. It is regrettable that this shipping could not have been used, because supplies of phosphate rock were thereby lost to Italy which, converted to superphosphate, would have improved the 1946 harvest and thereby lessened Italy's need to draw on the world's already short food supplies.

The new agreement between the Societa Italiana per il Commercio Estero and Le Comptoir des Phosphates de l'Afrique du Nord, you will agree, changes the situation as outlined in your letter. In view of the great importance to the Italian economy of an adequate supply of fertilizers, I am pleased to note that the new contract is for 500,000 tons of rock to be delivered in 1946.

Allied Commission will do all in its power to help you to obtain the shipping required to carry this quantity of rock to the Italian ports where it is needed. I must remind you, however, that the responsibility for obtaining this shipping now rests primarily with the Italian Ministries concerned, which should present the Government's case, through your Ministry of Marine, to the United Maritime Authority.

I am informed that two ships are already assigned to the phosphate rock movement, the "SFINGE" (7,200 tons) and the "CHERCA" (7,800 tons). With an additional 15,000 tons of shipping (including two ships of 3/4000 tons to carry 10,000 tons a month from TUNIS where larger ships cannot anchor, there would be a sufficient capacity available to deliver to Italian ports in 1946 the total tonnage agreed on in the new contract at the rate of 45,000 tons of rock per month. This calculation is based on the assumption that 30,000 tons of shipping remains continuously and exclusively in this service for the remainder of 1946.

2090

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I would urge, therefore, that the interested Ministries, through the Ministry of Marine, should acquaint the United Maritime Authority at once with the importance of these supplies to Italy and ask the Authority to ensure that not only the two ships presently assigned but also the additional ships of the total tonnage I have indicated above, are kept continuously on this haul with the object of delivering the balance of the 500,000 tons by the end of the current year.

A cable has been sent to London asking that the urgency of your need shall be made clear to the United Maritime Authority there. The application by your Ministry of Marine for this shipping will thereby be assured of sympathetic consideration.

Yours very truly,

M. S. LUSH

Brigadier,
Acting Chief Commissioner.

Dott. Alcide DE GASPERI
President of the Council of Ministers
Italian Government
ROME

2083

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

4410 + 4049. 56

2/3

OUTGOING MESSAGE
HEADQUARTERS ALLIED COMMISSION

FROM : HQ AFHQ

9 February 1946

TO : TROOPERS RPTD ROMAIR FOR CCS FOR CCAC FOR CLAC RPTD AFHQ FOR FHQEG RPTD UMA ZONE 3 COMMITTEE NAPLES. RPTD NAVMED NAPLES RPTD MWTR ROME

2 13 1946

Ref.No.: 1039

UNCLASSIFIED

This is TAP 175.

Subject is Phosphate Rock for Italy.

1. PAT 203 refers.

2. Contract signed 5th February between Comptoir des Phosphates de L'Afrique Du Nord and SICEM (Societa Italiana per il Commercio Estero Anonima , which has replaced Istituto Commercio Estero as Italian Government agent for the purchase of phosphate rock)for the supply of 5 hundred thousand tons rock in 1946. This tonnage includes 88 thousand tons balance of old contract undelivered at 1st January 1946.

3. Italian Government hopeful of concluding commercial agreement with France in near future which would provide inter alia for payment for phosphate rock supplied under above contract. Meanwhile, Government has given written assurance to Allied Commission that in the event, considered by Government as improbable, that commercial agreement with France is not concluded it will provide in some other way for the payment by the buyers for phosphate rock supplied under this contract.

4. SICEM strongly desires deliver Italy by end of March 58,650 tons balance of old contract still undelivered.

5. Ships presently assigned this trade are Sfinge 7,200 tons and Chorca 7,800 tons. AFHQ supports SICEM request assignment of additional 15,000 tons of shipping (including two ships of 3/4,000 tons to load 10,000 tons rock per month at Tunis where larger ships cannot anchor. With this additional shipping it will probably be possible to complete desired deliveries by end March and if 30,000 tons of shipping is continuously engaged exclusively in this service rest of 1946 can deliver balance of contracted supply in the year on basis of expected three trips every two months.

2088

(Continued)

mean on file 4049/46
PA 10/2 E

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

6. In view of grave world shortage foodstuffs and consequent necessity for increasing to the maximum Italy's ability to feed herself, for which this contracted tonnage of phosphate rock is an essential requirement, [illegible] requests S.G.O Secretariat London to present case to U.K. in terms which assure immediate and sympathetic consideration of Italian Government application for this shipping currently being presented through U.K. Channels.

Precedence : PRIORITY

Office of origin : Commerce (Foreign Trade) S/C

Tel.No. : 478900

Originator's signature : Lt. Col. F.W. Tooby, R.A.

DISTRIBUTION

ACTION DIRECTION : Econ Sec 18
(CSC (6))
(Supply Gr.)
(Program Br.)
(Requisition Br,10)

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INFO : Chief Commissioner
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CC BR EMB
CA US EMB
AM/TR
WSA
File

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

Translation

The President of the Council of Ministers

56340/1260.22/19.8

Rome, 22 January 1946

JAN 24 19

Dear Admiral,

for a long time, the A.C., realizing the importance of phosphate supplies, tried to receive Italian requests with the greatest comprehension.

During the period October 1945-February 1945, while transports from North Africa were used for war operations, 100.000 tons of mineral were imported; such an amount was considerably inferior to the requirements, but it represented the maximum of shipping that could be put at our disposition at that time.

However, the supplies for the 1945-46 campaign have been considerably reduced in spite of the change in general conditions.

In the agreements made in Spring between the Italian Government and the Allied Governments, the following allocation was made to Italy for July 1945-June 1946 campaign:

700.000 tons of phosphate of which 500.000 were to be supplied certainly and rapidly; 200.000 to be supplied according to the promoting possibilities of the Italian plants.

Of this amount, only 9.000 (nine thousand) tons have arrived till now.

The position of phosphate imports from North Africa is at present as follows:

a) from the commercial and monetary point of view, the agreement with the French Government, reached after long negotiations, include a compensation on the temporary basis of 100.000 tons Italian pyrite against 80.000 tons phosphates only, a final settlement according to the arbitral decisions of the Combined Boards excepted. More negotiations are taking place; the Italian side, to obtain a larger amount of phosphate, agreed to other requests for compensations in essential oils and essences, amounting to 77 million lire, while the possibility of exporting raw silk of which 500.000 kg have been asked by the French side is being examined. Long ago, the State Department sent a memorandum on such a matter to the Allied Commission to bring the negotiations to a speedy end.

Admiral Stone
Chief Commissioner
Allied Commission
R o m e

See 345

See M.213
F. 215

2083
E.C. DAST - 26 Jan
Action: Ec. Sec. (3)
Info: E.C.
C.C

(MAJ H) Sheet 24/1/46

2093

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

b) from the point of view of transport, the shipping made available till now is completely inadequate. It would be necessary for allied nations to put at the disposition of Italy a number of ships assuring regular and timely supplies of such mineral; to this end, the possibility of using means belonging to the Navy might be studied.

On the other hand, for the present moment, the Italian Government doesn't see the possibility of taking advantage of import currents others than the one from North Africa. The negotiations which are taking place with the authorities of North America gave no positive results, for it is impossible to obtain the necessary shipping, and negotiations with U.N.R.R.A. have just begun, and the hoped for concrete result won't materialize in time.

Therefore, in the present conditions, the fertilizer to be distributed to Italian farmers is so inadequate considering the requirements, that the next crop is seriously compromised. To this we must add that the transforming of the raw mineral into fertilizer would give work to the Montecatini plants and to other Italian plants which are at present at a standstill because of the lack of raw material, thus causing unemployment and the ensuing inconveniences.

I thought it well to bring this matter to your attention in all its particulars, trusting in your support with the Allied Authorities in charge, whether Allied or French, so that all the obstacles to a speedy and regular supplying of such a mineral may be removed.

Believe me,

Sincerely yours,

s. de Gasperi

e/o

2085

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210

I N C O M I N G M E S S A G E

Originator's Reference: 93354 CA16 Message Centre:G/7587

Date/Time of Origin: JAN 151120 Z Date/Time Rec'd:JAN 180900

Precedence: IMPORTANT

FROM: TROOPERS FROM TOOBY

TO: ALCOM ROME INFO: FREEDOM WASHINGTON F OR CLEVELAND

JAN 18 1946

RESTRICTED.

This is PAT 203 Personal.Subject Phosphate Rock.

1. Italian Ebassy Paris advises that agreement reached between FRANCE and ITALY to negotiate commercial treaty on basis of reciprocal credits and that French Government has opened inital credit in PARIS of 20.000.000 Francs in favour of ITALY.
2. French trade delegation headed by Minister Drouin now in ROME to negotiate treaty. French proposal is that exchange rate should be fixed at 190 lire equals 100 francs.
3. In phone conversation between Italian embassy PARIS and DI NOLA Ministry of Foreign Affairs ROME latter was confident that agreement on phosphate rock supply would be reached very early in discussion and in time for shipment to commence February.
4. Provisional bid for 50.000 tons shipping per month February through May has been placed in LONDON.
5. Request you impress on Italian Government that shipping bid for February loadings must be made firm by 15 January. This will be done in LONDON only on receipt of confirmation from you or Italian embassy LONDON that agreement has been reached.

2035

AO DIST

ACTION DIRECTION ECON SEC 18
(CSO (6)
(SUPPLY GROUP

INFO: CHIEF COMMISSIONER
DYLC. COMM. 2
CC BR EMB.
CA US EMB

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

[illegible] personal. Subject Phosphate Rock.

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20035

AC DIST

ACTION DIRECTION ECON SEC 18
(CSC (6))
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(PROGRAM BR.)
(REQUISITION BR.(10))

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INFO CHIEF COMMISSIONER
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HEADQUARTERS 19 JAN 48

See re 4049/EC.

CIPHER TELEGRAM

This message will not be distributed outside British or U.S. Government Departments or Headquarters or re-trasmitted even in Cipher without being paraphrased. (Messages marked O.T.P need not be paraphrased).

4410 + 4049. 47 208 1

RESTRICTED RESTRICTED

HEADQUARTERS ALLIED COMMISSION

MOC AIRGRAM ~~126~~ 129 : 21 December 1945 DEC 22 1945

TO : Combined Civil Affairs Committee
(for Combined Liberated Areas Committee)
30-866 Pentagon Building
WASHINGTON, D.C. (15 copies)

SUBJECT : Italo/French negotiations for pyrites.

REFERENCE : COM 69, COM 127, COM 148.

1. For reasons which will be made apparent, it is necessary to submit to the Combined Liberated Areas Committee, an Italian claim for the upward revision of the price of 100,000 tons of pyrites which it has been agreed to deliver to France. This procedure is in accordance with the provision of para 2 of TAM 456. It is realized, of course, that pyrites are not now a controlled commodity, but they were controlled during the period of the negotiations between France and Italy.

2. Reference is made to the following allocations of phosphate rock and pyrites :

500,000 tons of phosphate rock from French North Africa to Italy for year July 1945 to June 1946.

100,000 tons of pyrites from Italy to France.

3. Negotiations between the French commercial attaché in Rome and the Italian Government, were started in July of this year, but it was not until October that an agreement was finally reached. 208½

This agreement had the following basis :

a) France undertook to see to the immediate shipment of a quantity of phosphate rock corresponding in

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500,000 tons of phosphate rock from French North Africa to Italy for year July 1945 to June 1946.

100,000 tons of pyrites from Italy to France.

3. Negotiations between the French commercial attaché in Rome and the Italian Government, were started in July of this year, but it was not until October that an agreement was finally reached. 2084

This agreement had the following basis :

a) France undertook to see to the immediate shipment of a quantity of phosphate rock corresponding in value to 100,000 tons of pyrites plus 11,068 kilos of bergamot oil which would be supplied by Italy as counterpart to the phosphate rock.

b) The price of the 100,000 tons of pyrites would be provisionally fixed, as requested by the French commercial Attaché, at 800 lire per ton, with the understanding, however, that the fixing of the

See M.209

(MAJ H) SHELL 13/12/43

PA 21/12

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definite price will be referred to the appropriate authority in Washington for arbitration.

4. Here, it should be made clear that there is no dispute regarding the prices to be paid for the French phosphate rock. The Italian Government accept the prices fixed in the previous contract of 17 May, 1945. Pending the establishment of the final quantity of phosphate rock to be supplied, the French have agreed to ship 100,000 tons of phosphate rock, but it is extremely important that an early decision may be made on the question of the pyrites price so that arrangements may be made for lifting further quantities, if necessary.

5. It is considered appropriate to submit this case in the form of three parts as indicated in the following index:

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[illegible]
MAILAN CLEVELAND
Acting Vice-President
Economic Section

See distribution list attached.

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HARLAN CLEVELAND
Acting Vice-President
Economic Section

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PART I

Outline of the Negotiations in connection with the Supply of Phosphate Rock from French North Africa to Italy.

1. Since the invasion of Italy, the supply of phosphate rock from French North Africa to Italy can be divided, chronologically and commercially, into three phases :

(i) The period from July 1944 through December 1944, when supplies were the subject of Allied requisition.

(ii) The period from January 1945 through June 1945. During this period, on direct orders from Paris and because of French dissatisfaction with the price being paid currently, the programme of shipments was arrested in March and, after the signing of a retroactive contract, was resumed late in May.

(iii) The period from June 1945 to date of which five months were spent in protracted negotiations between the Italian Government and the French; negotiations which have resulted so far in the loading of only 7,000 tons of phosphate rock, but which provide for a further 93,000 tons to be shipped by the end of February 1946.

2. In order to present clearly the progressive steps by which the current agreement was reached, it is considered necessary to outline briefly below the salient events of the first two phases mentioned in para.1 above, and to recount, chronologically and in rather greater detail, the actual negotiations during the third phase.

i) July 1944 to December 1944

In April 1944 a requisition was placed by Allied Commission for the supply of 8200 tons of phosphate rock per month. In May 1944, and in support of this requisition, allocation of the appropriate amount of phosphate rock from North Africa to Italy, was requested from Washington. A small shipment was made in August but none was made in September, though the shipments were given formal approval by the granting of an allocation of 100,000 tons by the Combined Boards, as a result of strong

2082

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(ii) The period from January 1945 through June 1945. During this period, on direct orders from Paris and because of French dissatisfaction with the price being paid currently, the programme of shipments was arrested in March and, after the signing of a retroactive contract, [illegible] resumed late in May.

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It should be mentioned that the financial arrangements were not covered by a commercial agreement

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but by an exchange of letters between UKCC, North Africa, and the French authorities in Algiers, in the course of which it was arranged that the total value of the phosphate to be delivered up to the end of the year, charged at agreed prices, should be debited to Italy in the Italian/French Memorandum account and that the "agreement" could be cancelled immediately and at any time by either the seller or the buyer, except for the ships loading.

ii) January 1945 to June 1945

Deliveries of phosphate rock, in accordance with the exchange of letters to which reference has already been made, continued smoothly until March of 1945, when advice was received that pending an agreement on the upward revision of prices, the French Government had ordered the suspension of shipments.

On April 7, 1945, a meeting was arranged between the French Commercial Attaché, several representatives of the Italian Government, and two members of Allied Commission for the purpose of discussing the establishment of a contract which would enable shipments of phosphate rock to be resumed.

At this meeting it was decided that the Italians should make a firm bid for 100,000 tons of phosphate rock for the period April '45 through June '45 at a price of 800 lire per ton f.o.b. (against the old, precontract price of 618 lire per ton).

The French Commercial Attaché undertook to cable the Italian proposal to Paris and notify the result within two or three days.

In fact, there were no further developments until 12th May, when the French Commercial Attaché, returning from a visit to Paris, advised A.C. that he had brought with him a contract at prices in excess of those offered by the Italians at the meeting on 7th April.

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Accordingly, a meeting was arranged for 16 May at which were present the French representatives, including an official from the Compton des Phosphates of North Africa, with Representatives of the Istituto Commercio Estero, Montecatini, various Federazioni and Consorzi, together with a Representative of A.C.

The governing factor in settling the terms of the contract were :

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PART I

a) QUANTITY : French records available showed the following position :

100,000 tons allocated to Italy by Washington
36,500 tons shipped up to 31 of December 1944

63,500 tons balance at 1 January 1945
39,400 tons shipped between 1 January 1945 and 30 April 1945.
24,100 tons balance of allocation still to be shipped.

b) PRICE : The French stated that the increased prices came into force as from 1 January 1945 and that therefore shipments made between 1 January and 30 April should be charged at the new prices.

The contract, drawn up to conform with the above facts for the undelivered balance as at 1 January of 63,500 tons was signed on 17 May 1945. This was to complete the quantity of phosphate rock under allocation, it being stipulated that the tonnage shipped since 1 January (39,400 tons) would be applied against the total. This left a balance of 24,100 tons to be shipped before 30 June 1945 which was duly done.

During the early part of the year, the French had been making enquiries for a supply of Italian pyrites though, at that time, there was no suggestion that the pyrites was in any way connected with, or contingent upon, the supply of phosphate rock. On 13 April, the CFB and CRMB confirmed that Italy should meet French requirements for pyrites, which were interpreted to be about 50,000 tons.

iii) June 1945 to Date

2081

After the conclusion of the phosphate contract on 17 May, the Italians immediately gave consideration to the further supplies which they would require after the expiration of the contract, while the French pursued their enquiries for pyrites. The French asked for 100,000 tons of pyrites and, on 5 June were authorized to obtain 50,000 tons from Italy, while consideration would be given to their further needs.

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On 13 June final estimates of the Italian phosphate rock requirements for July 1945 through June 1946 amounting to 700,000 tons were notified to the Combined Boards in MOC 171.

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On 21 June, the resultant allocation of 500,000 tons of rock from French North Africa to Italy was received in COM 127.

Accordingly, on 23 June, the French Embassy and the Italian Government were advised of this allocation and were recommended to arrange a contract without delay.

On 27 June, as MWT were faced with immediate call for the return of ships to UK, the Italian Government were asked to prepare and submit a shipping schedule covering the total allocation of phosphate rock.

On 30 June, it was again stressed by AC, to both French and Italian authorities that for pressing reasons of shipping demands, it was imperative that an early agreement should be reached.

It was on 3 July that the French Ambassador, in confirming the readiness of the French to commence direct negotiations with the Italian Government, first linked the supply of pyrites by the Italians with the sale of phosphate by the French, though it was not stipulated that the proposed trade exchanges were interdependant . (Appendix A-copy of French Ambassador's letter to Admiral Stone).

Also on 3 July, the Italian Government, in anticipation of phosphate rock being available for movement to Italy, were informed by A.C. that 27,770 tons of shipping had been provisionally set up for August. In consequence, it was again requested that an agreement should be hastened.

On 4 July, in anticipation of an early settlement of the terms of the expected contract, both parties were supplied by A.C. with a tentative schedule for the movement of the total quantity of phosphate rock under allocation.

On 5 July, the French Commercial Attaché was notified by A.C. that the amount of pyrites which the

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On 5 July, the French Commercial Attaché was notified by A.C. that the amount of pyrites which the Italians could supply would be increased to 100,000 tons. The French were advised to negotiate directly with Italy for the mercury, vegetable seeds, sumac, ect. which they needed. The hope was expressed that an agreement on the phosphate rock supply would be made as quickly as possible owing to the shipping difficulties.

On 9 July the increased allocation to France of Italian pyrites was confirmed to the Italian Government by A.C. which pointed out that the supply of phosphates from North Africa would be facilitated by

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PART I

reaching an agreement with the French Government regarding the pyrites and mercury in which they were interested.

On 10 July, Brig. Gen. McKinley, replying to the French Ambassador's letter of 3 July, confirmed that pyrites and mercury were available and that the Italian Government had been asked to take prompt steps to satisfy their requirements. Further, it was "assumed that no obstacle now stands in the way of agreement being reached for the supply of 500,000 tons of phosphate rock to Italy". (Appendix B).

On 13 July, a meeting took place between M. Gabriel, the French Commercial Attaché, and a Representative of the Italian Foreign Ministry. Details of the discussion are not on record, but reference to the meeting is made in an exchange of letters between the French and Italians, of which translations are attached as appendices :

C1 - letter dated 21 July, Ministry of Industry, Commerce and Labour to French Embassy, and

C2 - letter dated 26 July, French Commercial Attaché to Ministry of Industry, Commerce and Labour. Also attached is

C3 - letter dated 26 July, French Commercial Attache to Commerce Sub-Commission A.C.

The first two of these letters are of great significance for they clarify the Italian demands for

(a) The supply of phosphate rock by the French to be offset partly by the shipment of 100,000 tons of pyrites in the ratio 3 tons of phosphate rock equals in value 1 ton of pyrites.

(b) Shipments of pyrites and phosphate rock to be made concurrently, at the same time maintaining the ratio mentioned above.

2083

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2083

On the other hand, the French point out that obvious difficulties stand in the way of maintaining a strictly balanced trade; a point of view which they had believed the Italians had accepted. The French point out that they had understood the basis for an agreement had been established during their first meeting with Sig. Grazzi, and that they had submitted the agreed framework of this agreement to Paris. Details were quoted as :

1) Delivery by the French, beginning 1 August of a first lot of 2/300,000 tons of phosphate rock.

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PART I

2) Delivery by Italy, at least up to the same value as the phosphates, of commodities to be chosen among the following :

Pyrites	up to	100,000 tons
Mercury	up to	4,000 bottles
Bergamot Oil	up to	11-1/2 tons (balance still to be supplied out of 14 tons bought by Allied Commission for France).
Sulphur		quantity to be indicated further.

The significance of this letter can best be gauged by comparing the proposals apparently then agreable to the French Commercial Attache with the terms of the exchange arranged ultimately in October which, subject to a clause permitting price adjudication, gives phosphate rock a higher value per ton than pyrites.

No further progress having been made by 16 August, the Chief Commissioner addressed a letter in similar terms to the Italian President of the Council of Ministers and to the French Ambassador (Appendix D).

These letters strongly emphasized the urgent need for agreement between the French and Italian Governments in order to avoid prejudicing further the shipping position in the Mediterranean.

On 20 August, another meeting was effected between the Italian and French Representatives, at which were present officers from the Commerce and Transportation Sub-Commissions.

By this time it was apparent that one of the chief points of contention was the establishment of a mutually acceptable price ratio as between pyrites and phosphate rock. While the discussion did not solve this question, both the French and Italians agreed that shipments of phosphate rock and pyrites should be commenced immediately.

This arrangement was summarized by the

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

tons bought by Allied Commission for France).

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This arrangement was summarized by the Italian Prime Minister in a letter dated 23 August addressed to the Chief Commissioner of A.C. which is translated in full as Appendix E. An extract from this letter, which clearly states the Italian attitude, follows :

" In any case, not to delay the program of transport
" prepared by the Services of the Allied Commission,
" it has been decided, in agreement with the French

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" Delegation, to authorize at once the loading and
" transport of the phosphates from North Africa as
" well as of the Italian pyrites, while deciding that
" the negotiations for a definitive agreement would be
" actively carried on.
" For its part, the Italian Government has already
" ordered the Montecatini Co. that supplies pyrites,
" to be ready to load at Follonica - Portiglioni the
" 100,000 tons allotted to France, to assure the
" quickest possible delivery and make the best
" possible use of the shipping which will be available
" for this end. I hope that this mutual pledge will
" be considered satisfactory by the Allied Commission
" for the end it aims at ....."

This was acknowledged with satisfaction by the Chief Commissioner on 29 August.

Meanwhile, the Italian Government gave the necessary orders to the Montecatini Company to be prepared to load 100,000 tons of pyrites destined for France, and to ensure the quickest possible delivery according to the shipping which would be made available for the purpose.

Allied Commission made an immediate bid for 250,000 tons of shipping for July through December movement of phosphate rock. The French were asked to submit a bid and necessary details for the movement of pyrites to France.

At this stage there was no doubt on the Italian side that the French would implement their undertaking of 20 August.

However, after 10 days, nothing further having been done by the French, it was necessary on the 31st of August for Allied Commission to write to their Commercial Attache, explaining the steps which had been taken by the Italian authorities to make the pyrites available, and requesting confirmation that similar action had been initiated by the French to authorize shipment of phosphate rock from North Africa.

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" for the end it aims at ....."

This was acknowledged with satisfaction by the Chief Commissioner on 29 August.

Meanwhile, the Italian Government gave the necessary orders to the Montecatini Company to be prepared to load 100,000 tons of pyrites destined for France, and to ensure the quickest possible delivery according to the shipping which would be made available for the purpose.

Allied Commission made an immediate bid for 250,000 tons of shipping for July through December movement of phosphate rock. The French were asked to submit a bid and necessary details for the movement of pyriter to France.

At this stage there was no doubt on the Italian side that the French would implement their undertaking of 20 August.

However, after 10 days, nothing further having been done by the French, it was necessary on the 31st of August for Allied Commission to write to their Commercial Attache, explaining the steps which had been taken by the Italian authorities to make the pyrites available, and requesting confirmation that similar action had been initiated by the French to authorize shipment of phosphate rock from North Africa.

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In a reply dated 5 September, the French Embassy stated that agreement had not been made on the phosphate-pyrites exchange, but that information was expected from Paris within a week. It was further stipulated that the pyrites should be moved before the end of the year, but no definite information about quantities and destination was given. (Appendix F.).

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This was the first direct intimation to Allied Commission by the French that they were not proposing immediately to fulfil the undertaking which they had given at the 20 August meeting.

In the meantime, on 31 August, the American Embassy in Rome received a cable from the American Embassy in Paris from which it was clear that the French, being still actively concerned over the price of pyrites, had approached the American Embassy to use its good office.

The French explained that they were not prepared to pay the Italian price of 2400 lire per ton when they could buy Spanish pyrites, of admittedly inferior quality, at 700 lire per ton. The French had offered 800 lire per ton for Italian pyrites and inferred that this might be increased to 1050 lire per ton (paraphrase of cable No. 180 as Appendix G).

Details of the dispute were submitted by the American Embassy in Paris to the State Department in Washington.

As it was felt by Allied Commission that it was their definite responsibility to ensure that Washington's allocation of 500,000 tons of phosphate rock for the year 1945-1946 should be implemented and as there was nothing useful which could have been done immediately to further agreement between the Italians and the French on the pyrites price, on 15 September, a cable (MOC 298) was sent to Washington in which C.C.S. were requested to take action to start shipment of phosphate from Tunisia or from other sources of supply (Appedix H).

At the same time, the French Commercial Attache was requested to give Allied Commission a clear statement of the french position.

On 19 September this statement was received

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On 19 September this statement was received by Allied Commission. It contained a completely new suggestion that the Italians should accept 800 lire per ton as a provisional price for their pyrites, it being stipulated that the price could be referred to Washington for arbitration. In return the French were prepared to supply phosphate rock to the value of the 100,000 tons of pyrites (see Appendix I, letter dated 19 September from the French Embassy to Allied Commission [illegible] Appendix "J".)

Two days later, on 21 September, the French Embassy advised Allied Commission that the Italian Government had given a negative reply to the proposal outlined

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above. They recalled that the Italians had previously offered to ship pyrites without waiting for agreement on phosphate, and they stated that they no longer considered the purchase of pyrites to be linked to the sale of phosphate. Accordingly, they had officially requested the Italian Government to deliver the 100,000 tons of pyrites allocated by the Combined Boards, at a price of 800 lire per ton, while leaving the Italian Government free to refer to Washington for arbitration on the price to be paid. Furthermore, they undertook to obtain the details necessary for the submission to U.M.A. of a bid for shipping to start the pyrites moving (Appendix K).

During the last week of September, a series of verbal enquiries addressed by Allied Commission to the Italian Government, regarding their attitude to the sale of pyrites at a provisional price of 800 lire (subject to revision through arbitration), elicited the fact that the large difference between the cost of pyrites to the Government and the provisional price which they would receive from the [illegible] which would involve the Italian Treasury in the provision of a heavy subsidy in order to make the export possible. The Italian Treasury were said to be unable to agree to such a subsidy.

Next, negotiations were started by the Italian Government to ascertain whether the French would sell phosphate for American dollars which it was hoped would be made available by the American Treasury.

Meanwhile, Allied Commission had suggested to the American and British Embassies in Rome that they might request the Emergency Economic Committee for Europe (E.E.C.E.) to give all possible assistance to encourage an agreement between the French and the Italians. This step was notified to C.C.S. with MOO 305 dated 22 September.

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This suggestion did not meet with the approval of either of the Embassies, while the British

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pyrites allocated by the Combined Boards, at a price of 800 lire per ton, while leaving the Italian Government free to refer to Washington for arbitration on the price to be paid. Furthermore, they undertook to obtain the details necessary for the submission to U.M.A. of a bid for shipping to start the pyrites moving (Appendix K).

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This suggestion did not meet with the approval of either of the Embassies, while the British Foreign Office with telegram Absent 39 of 3 October, advocated non-intervention in "a matter.... in the nature of a trade agreement".

However, on 4 October, a letter was addressed to Allied Commission by the French Embassy in which it was reported that as the Italian Government were prepared to offset the exchange of pyrites and phosphates on the terms already described on 19 September, they now approved the shipment of phosphates from North Africa except approval by Paris. (Appendix L).

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This arrangement was confirmed by the Italian Government with letter dated 5 October, in reply to which Allied Commission stated that the necessary shipping programme for phosphate rock was ready to pass to the shipping authorities as soon as the French should confirm that the loading ofphosphate rock had been authorized.

With letter dated 22 October, the French Embassy confirmed the immediate availability of 6000 tons of phosphate rock and on 25 October submitted details for the shipment of pyrites to be made from Italy to France.

Finally, on 7 November, a schedule of availabilities of phosphate rock, to the total of 100,000 tons over the period November 1945 to 28 February 1946, was received from the French Commercial Attache.

All necessary arrangements for the shipping and receiving of this quantity of rock have now been agreed between the Italian interests and the concerned Sub-Commissions of Allied Commission.

II. Summary

It remains - (a) to summarize the present situation in relation to the allocation of 500,000 tons of phosphate rock, and - (b) to enumerate the outstanding problems.

(a) Under the arrangement now in force, the Italian Government are to supply 11,068 kilos of bergamot oil at an agreed price, plus 100,000 tons of pyrites at a provisional price of 800 lire per ton, or at such price as may be fixed when the matter is referred, through Allied Commission, to Washington.

Against the Italian credits which accrue from

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Against the Italian credits which accrue from the above-mentioned items, France will supply phosphates at the same prices as were embodied in the contract of 17 May. As the total quantity of phosphate to be supplied ultimately cannot be ascertained yet, France have authorized the loading of 100,000 tons of phosphates, but this is not necessarily the final figure.

The contract prices referred to above are:

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1208 lire per ton for 65/68% quality phosphate rock
1008 lire per ton for 63/65% quality phosphate rock
898 lire per ton for 58/63% quality phosphate rock

which shows that, unless there is an upward revision of the pyrites price, phosphate rock 58% quality/pyrites price ratio is now 1-1/8:1, whereas during the years 1935/1940 it varied between 1:1.72 and 1:2.5 with an average of 1:1.92.

(b) Outstanding Problems

i. Whatever the price of pyrites may be ultimately, there will still be a large deficit out of the total allocation of 500,000 tons of phosphate rock.

ii. The problems of assuring for Italy an adequate supply of phosphate rock has only been solved temporarily and partially. It is vital for arrangements of greater scope to be made quickly.

iii. In accordance with the terms of their agreement with the French, the Italians have invoked a clause from the original instructions, dated 18 April 1945, regarding the establishment of prices of category A items. This stipulated that if the Italian Government is not satisfied with this price, the Italian Government may ask Allied Commission for price adjustment. The Italians claim that the pyrites price of 800 lire is inadequate and have submitted a case to support this view. They have requested that this case be put to Washington.

III. The Chemical Industry

Approximately 40 plants for the processing of phosphate rock into superphosphate, are now operative in Italy. The average labour force is between 80 and 100 men, varying according to the season.

The estimated number of employees who are affected if the plants cannot operate through lack of raw material is slightly over 3000.

However, the incidental effects are more

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The estimated number of employees who are affected if the plants cannot operate through lack of raw material is slightly over 3000.

However, the incidental effects are more far reaching than this for, unless phosphate rock processing is available as an outlet for sulphuric acid, it will be impossible to operate most of the chamber and sulphuric acid plants. This lack of sulphuric acid, in turn, penalizes many local chemical concerns who obtain their sulphuric acid from the surplus product of plants operating chiefly to supply the phosphate rock plants.

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TRANSLATION

APPENDIX "A"

Temporary Government

French Delegation to
the Advisory Council for Italy Rome, 3 July 1945

No. 628

Dear Admiral,

In your letter of June 13th, you kindly let me know that you considered there was no longer anything to prevent direct negotiations between France and Italy for the resumption of trade between both countries.

I acknowledge this communication, and I have the honour of confirming that, on its side, the French Government has no objection against beginning such negotiations.

On the other hand, the Foreign Trade Sub-Commission informed our Commercial Adviser that the Combined Boards have already allotted Italy for the period going from July 1st 1945 to June 30th 1946, a contingent of 500,000 tons phosphates. It insisted on the interest there was in promptly concluding the contract relative to this supply, this for shipping reasons.

The question was submitted to the French authorities in Paris, but in this occasion, I draw your attention on similar requests for supplies on the part of Italy, which were made to the French side, especially for 100,000 tons of pyrites and 150 tons of mercury, about which we shall be most happy if decisions can be made by competent authorities.

I remain, my dear Admiral,

Yours sincerely,

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I remain, my dear Admiral,

Yours sincerely,

Admiral STONE
Chief Commissioner
A.C.

s/d S.M. COUVE DE MURVILLE

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APPENDIX B

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

ERG/eeh

Ref. AC/5127/F/Commerce 10 July 1945

My dear Mr. Ambassador,

Your letter of 3 July, No. 628, addressed to Admiral Stone, has been passed to me for action.

I am enclosing copy of a letter, dated 5 July, from which it will be seen that the question of the supply of 100,000 tons of pyrites has already been under consideration. Instructions have now been sent to the Ministry of Industry and Commerce that they should honor orders received from you to the extent of 100,000 tons.

In regard to the question of mercury, this is a matter for free negotiations between your representative and the Italian Government and it is understood that sufficient availability exists to fill the French requirements.

In view of the above, it is assumed that no obstacle now stands in the way of agreement being reached for supply of the 500,000 tons of phosphate rock allocated to Italy.

A request has been passed to the Italians by this Headquarters that prompt steps be taken to satisfy your aforementioned requirements in pyrites and mercury in order that the contract for phosphate rock may be concluded with a minimum of delay. This is important in view of the fact that it has been necessary to set up shipping for the month of August to lift this phosphate rock and wastage of any part of this shipping space should, as you will agree, be

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Yours very truly,

s/d E.B. McKinley
Brigadier General, USA
Acting Vice President
Economic Section

H.E. Couve de Murville
French Delegation
Rome

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PART I

TRANSLATION APPENDIX "C1"

MINISTRY OF INDUSTRY & COMMERCE
Dir. Gen. Commercio Estero
Serv.II - Div.II

Rome, 21st July 1945

Ref. : 20595

SUBJECT : Supply of iron pyrites to France

TO : Commercial Delegation, French Embassy, Rome

In reply to letter 829-111-2 of 11 July 1945,

Reference is made to a/q letter with which your Delegation while communicating the allotment made to France of a quantity of 100,000 tons of Italian iron pyrites, asked to be informed of the price of such goods and of provisions this Ministry intend to take for a prompt delivery of same.

As to the first querry, please be informed that the Soc. An. Montecatini have stated to be ready to supply iron pyrites with 46% sulphur and 43% iron contents, practically free from arsenic, copper, lead and zinc, at the price of about 2,700 lire per ton FOB by 1,500 up to 1,800 maximum tonnage vessels, to be loaded at the sailing stage of Follonica-Postiglione.

As however the Soc.An. Montecatini in addition to the export of pyrites is interested also in the import of rock phosphates from French North Africa, it is their intention to tie the above pyrites price with that fixed in the contract of last May for rock phosphates so that the present ratio (1 of pyrites equal to 3 of phosphates) be maintained also for the future.

As to this Ministry intentions concerning the implement of the supply of pyrites, predicted that all

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As to this Ministry intentions concerning the implement of the supply of pyrites, predicted that all the 100,000 tons are already ready for delivery, it is confirmed what it has been expressed during the recent conversations with your Delegation, that is that as soon as the supply of the first lot of 100,000 tons of rock phosphates covering the known credit in favour of Italy of Memorandum Account in French North Africa will be carried out by the French part, the deliveries of pyrites by the Italian part will start promptly. These deliveries, however, will continue keeping pace with those of French phosphate rock, so that, taking into

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consideration the respective prices, to each quantity of pyrites will correspond a triple quantity of rock phosphate.

As soon as the French Government declare their agreement on the above, necessary steps will be taken, in conjunction with the competent Allied Authorities, to assure the sea transport of the minerals in question.

Awaiting your kind early communications on above matter.

For THE MINISTER

S/d Illegible

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PART I

TRANSLATION

APPENDIX "62"

922-III-2-f

26 July 1945

FROM : LOUIS GABRIEL
Commercial Attaché French Embassy.

TO : Mr. CARAVALE
General Manager Foreign Trade
Ministry of Industry, Commerce & Labour
R o m e

I beg to acknowledge receipt of letter No.20595 of July 21st which you have addressed to "Commercial Delegation of the French Embassy".

From this letter, in which price and terms of delivery provided for the sale of 100,000 tons of pyrites to France are officially communicated for the first time, it appears that some misunderstendings have occurred and that our conversations during these last weeks, contrarily to my hopes, have not contributed to clarification.

The letter dated 9 July 1945 ref. No. 20.439 addressed by Ministry of Industry and Commerce to the Allied Commission, who gave me communication of it, confirms that impression of mine. Without waiting for the instructions I have asked from my Government I believe it necessary to point out the position I thought I could take after our conversations and, of course, under reserve of said instructions.

I wish to note first of all that it was on June 9th 1945 that the Allied Commission has written to the Ministry of Industry and Commerce inviting them to negotiate direct with the French representatives without further delay.

It was only with a letter dated July 4th 1945

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Ministry of Industry, Commerce & Labour
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I wish to note first of all that it was on June 9th 1945 that the Allied Commission has written to the Ministry of Industry and Commerce inviting them to negotiate direct with the French representatives without further delay.

It was only with a letter dated July 4th 1945 that the Ministry of Foreign Affairs has informed our Embassy of the Italian Government's desire to enter commercial dealings. The French Embassy has immediately met this wish as on July 11th I have had a first conversation with Mr. Grazzi, even before our official answer (dated July 10th) had reached the Foreign Affairs Department.

I thought it useful to specify these points as an answer to the assertion contained in the letter addressed on July 9th to the Allied Commission which do not appear to tell the exact story of the queried

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conversations.

I further stated that it seems difficult to me for these dealings to be continued if, from the Italian side, it should be tried to make the Allied Commission and the French Government dosagree on a matter whose solution now depends upon the conversations engaged between the French and the Italian Governments. Since our first meeting with Mr. Grazzi I pointed out that we could not agree upon certain conditions to be put in advance, as the above mentioned letter from the Ministry of Foreign Affairs seemed to entail. This has been cleared in so far it was no question of conditions but of a declaration of the Italian standpoint. Conversations could therefore be continued and a larger meeting could be held on July 13th. During this meeting I have insisted on the difficulties we would meet should the Italians ask first for settlement of balance of Algiers accounts and after that for a strictly balanced trade. I was convinced that Mr. Grazzi was aware of these difficulties and that he considered sufficient, failing an immediate settlement, a guarantee to be given by the French Government as to the possibility for Italy to make use later on of the memorandum-account balance for payment of French goods and for other payments in francs authorised by the Allied Commission. The fact that the exact amount of the balance could not yet be established and that its final utilisation is provided by para 4 of memorandum account, text of which has been communicated to you, did not leave me any other interpretation.

On the other side I understood it had been mutually agreed to consider exchanges between France and Italy, involving, from the French part, delivery of goods whose nature has been discussed during the meeting of July 13th.

After our last meeting at the Ministry of Foreign Affairs instructions have been asked from Paris, based on the following :

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solution now depends upon the conversations ... between the French and the Italian Governments. Since our first meeting with Mr. Grazzi I pointed out that we could not agree upon certain conditions to be put in advance, as the above mentioned letter from the Ministry of Foreign Affairs seemed to entail. This has been cleared in so far it was no question of conditions but of a declaration of the Italian standpoint. Conversations could therefore be continued and a larger meeting could be held on July 13th. During this meeting I have insisted on the difficulties we would meet should the Italians ask first for settlement of balance of Algiers accounts and after that for a strictly balanced trade. I was convinced that Mr. Grazzi was aware of these difficulties and that he considered sufficient, failing an immediate settlement, a guarantee to be given by the French Government as to the possibility for Italy to make use later on of the memorandum-account balance for payment of French goods and for other payments in francs authorised by the Allied Commission. The fact that the exact amount of the balance could not yet be established and that its final utilisation is provided by para 4 of memorandum account, text of which has been communicated to you, did not leave me any other interpretation.

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It was agreed that for reasons of urgency, the conclusion of a commercial modus-vivendi should be put off temporarily and that meanwhile a provisional agreement should be entered into, allowing for :

(1) The delivery by the French beginning by August 1st of a first lot of 2/300,000 tons of phosphates;

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APPENDIX "C2"

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(2) The delivery by Italy, at least up to the same value of these phosphates, of commodities to be chosen among the following :

Pyrites	up to	100,000 tons
Mercury	" "	4,000 bottles
Bergamot	" "	11 tons ½ (balance still to be supplied against 14 tons bought by AC for France).
Sulphur, quantity to be indicated further by Italian Government.		

Actual terms of payment for this provisional agreement would have been as follows : accounts to be opened and kept in Paris by the French for account of Banca d'Italia and no longer at Algiers for account of the Allied Authorities.

If these conditions should appear acceptable, I was asking Paris to send deputies to discuss and sign purchase and sale contracts. After that dealings would have been started in view of a more extensive modus-vivendi.

Your letter of July 21st makes me believe that the Italian attitude is totally different from the one I have explained above and which appeared to me such as to conciliate points of view. I can only wait for the instructions I have asked and which will state the French Government's position.

I must now formally decline any responsibility for the difficulties which are being met and for the delays which have occurred and which are likely to occur again.

Copy of this letter is addressed to the Allied Commission and to the Ministry of Foreign Affairs.

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PART I

TRANSLATION

APPENDIX "C3"

AMBASSADE DE LA REPUBLIQUE FRANCAISE EN ITALIE

Ref. No. 928 I/A

Subject : Commercial Exchanges between France and Italy.

To : Maj. H.A. GENT
Director of Commerce S/C
Allied Commission
ROME

From : Louis Gabriel
Commercial Counsellor
Chief of French Economic Services in Italy

I thank you for having forwarded to me copy of the letter addressed to you on 9 July by the General Director, Foreign Trade of Italian Ministry of Industry, Commerce & Labour and copy of your reply dated 20 July to that letter.

In my turn, I think it useful to let you have herewith enclosed copy of a letter from the Director of Foreign Trade of the same Ministry regarding the delivery of 100,000 tons of Pyrites and copy of my reply.

These communications have the aim of establishing as it really is, the chronological order of the development of the conversations relative to the resumption of exchanges with France.

Invited since 19 February by Admiral Stone's Memorandum to Mr. Bonomi to negotiate direct with France, the Italian Government did not reply to Allied Commission until 27 March asking for additional explanations on the mechanism of imports and exports.

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Allied Commission
ROME

From : Louis Gabriel
Commercial Counsellor
Chief of French Economic Services in Italy

I thank you for having forwarded to me copy of the letter addressed to you on 9 July by the General Director, Foreign Trade of Italian Ministry of Industry, Commerce & Labour and copy of your reply dated 20 July to that letter.

In my turn, I think it useful to let you have herewith enclosed copy of a letter from the Director of Foreign Trade of the same Ministry regarding the delivery of 100,000 tons of Pyrites and copy of my reply.

These communications have the aim of establishing as it really is, the chronological order of the development of the conversations relative to the resumption of exchanges with France.

Invited since 19 February by Admiral Stone's Memorandum to Mr. Bonomi to negotiate direct with France, the Italian Government did not reply to Allied Commission until 27 March asking for additional explanations on the mechanism of imports and exports.

2073

A long time was then taken by the Italian Ministry of Industry, Commerce & Labour for corresponding with the Allied Commission on the subject of methods of exchanges.

At last the Allied Commission judged that the explanations given were sufficient and on 9 June informed Mr. Gronchi that nothing any longer impeded direct negotiations with France and on the same date advised Mr. Couve de Murville, of the fact.

On 4 July only, the Ministry of Foreign Affairs expressed their wish to negotiate.

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PART I

APPENDIX "C3"

Page 2

Although conversations between the representatives of the competent Italian Ministries and myself took place on 11 and 13 July, a positive offer for delivery of the 100,000 tons of Pyrites was only formulated on 21 July with a letter, copy of which is enclosed, the contents of which, far from facilitating the conclusion of a provisional agreement, laid down some conditions of principle which, if maintained, would have risked compromising completely the resumption of trade exchanges.

This simple statement shows that, contrary to their assertions, the Italians have not displayed any promptness in starting negotiations with France and also that the difficulties which happen are caused by them and not by us.

Many times during the conversation I had with you and with the Chiefs of Finance Sub-Commission I drew the attention of Allied Commission to the delays caused by the Italians.

I decline therefore in the most formal manner any responsibility for the delays which may happen in the delivery of rock phosphates. We have given this deal all our care and this has not been the case on the part of the Italians, as on 21 July only they decided to offer officially the pyrites which we have unquestionally the right to receive, we too without delay, if we deliver the rock phosphates.

It is therefore on the attitude which the Italians decide to adopt that will depend the delivery of the rock phosphates.

S/d LOUIS GABRIEL

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S/d LOUIS GABRIEL

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PART I

APPENDIX "D"

655/103/tn/3

21 August 1945

Dear Mr. Ambassador,

I am seriously concerned by the fact that up to the present your Government has not yet reached an agreement with the Italian Government on the import of phosphate rock from North Africa and the export of Italian products to France during the year July 1945 to June 1946.

As you may well understand, this delay is gravely prejudicing the shipping position in the Mediterranean. The demands on the available shipping are so considerable, and the quantities involved in your negotiations are so great, that it is essential that a definite program be prepared.

It will be clear to you that a program cannot be arranged until agreement has been finally reached between your Government and the Italians.

The Allied Shipping Authorities will not be in a position to provide the facilities needed to lift the heavy tonnage involved unless your negotiations can be completed at a very early date.

I need hardly add that any further delay would aggravate an already serious situation and hope therefore for your early advice that agreement has been reached.

I have written in similar terms to the Italian President of the Council of Ministers.

Very truly yours,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

2072

H.E.

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2072

H.E.
Couve de Murville
French Delegation
Rome

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PART I

TRANSLATION APPENDIX "E"

The President of the Council of Ministers

No. 588 Rome, 23 August 1945

Dear Admiral,

To complete what I wrote to you on the 21st regarding the supply of mineral phosphates, and in relation with your letter No. 655/102/th of August 16th, I want to add what follows :

1 - Ever since it know that the Combined Board had allotted 500,000 tons of phosphates to Italy, the Italian Government did all it could to come to an agreement with the commercial Delegation of the French Embassy in Rome, to balance the import of phosphates in Italy with the export of goods useful to French economy (pyrites, sulphur, mercury, extract of "bergamotto", seeds, pumice stone, "sommacco", etc.).

It has not been able to reach this end rapidly, through ill-will, for the Italian side showed its good will in every possible way, but because of some technical difficulties; the French Delegation is waiting for orders from its Government to solve them.

2 - In any case, not to delay the program of transport prepared by the services of the Allied Commission, it has been decided, in agreement with the French Delegation, to authorize at once the loading and transport of the phosphates from North Africa as well as of the Italian pyrites, while deciding that the negotiations for a definite agreement would be actively carried on.

3 - For its part, the Italian Government has already ordered the Montecatini Co. that supplies pyrites, to be ready to load at Follonica-Portiglioni the 100,000 tons allotted to France, to assure the quickest possible delivery and make the best possible use of the shipping

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4 - I hope that this mutual pledge will be considered satisfactory by the Allied Commission for the ends it aims at, and I beg you, my dear Admiral, kindly to issue orders for the loading and transport of the phosphates to be carried out as fast as possible, to make up for the time that has been wasted, in the interest of Italian

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PART I

APPENDIX "E"

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agriculture which urgently requires phosphate fertilisers.

Believe me,

Your very truly,

s/d Parruccio Parri

Admiral Ellery W. STONE
Chief Commissioner
Allied Commission
Rome

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PART I

TRANSLATION

APPENDIX "F"

DELEGATION FRANCAISE
AU CONSEIL CONSULTATIF
POUR LES AFFAIRES ITALIENNES

Rome, 5 Sept. 1945

Ref. No. 1199/11/2/f

Subject : Transport of 100,000 tons of pyrites to France

TO : HQ Allied Commission
(Attn: Maj. Saul)

1. The contemplated French ports for the landing of pyrites are: Sète - Lestaque - Saint-Louis-du-Rhône - Port-de-Bouc.

2. The pyrites will have to be delivered before the end of the year.

3. The definite designation of ports and the appointment of quantities to be landed in each of those finally chosen will depend on the rate of loadings.

4. The above statements are given only for information as the agreement concerning the pyrites-phosphate rock exchange has not yet been reached. I think however that a final reply will be obtained from Paris within a week.

THE COMMERCIAL ATTACHE

S/d (Illegible)

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PART I :

APPENDIX "G"

PARAPHRASE

Telegram No. 180, August 29, from American Embassy, Paris received August 31. The Embassy discussed informally with the Ministry of National Economy on August 25 difficulties encountered in arranging exchange deal of phosphate rock from Tunisia against pyrites from Italy and asked U.S. to extend its good offices. Embassy officers after listening to the story told the French officers that they would submit a report to the State Department on a basis of 1200 francs, while price of Spanish pyrites is 350 francs and Portuguese 320 per metric ton. Due to quality differentials, Italian pyrites are 40 to 50 francs above Spanish. The French explained the Italian argument on basis that the phosphate-pyrite price ratio before the war was 3.5, meaning that Tunisia phosphate at 450 francs would make Italian pyrites 1575 francs. The french argued that pre-war price ratio is 1.17, making pyrites 527 francs. The French say they will pay 400 francs, but inferred that this might be increased to 525.

The only interest of the United States in this problem is our over-all concern in stimulating production of food. On August 28 Agriculture Ministry said informally and confidentially that the outlook for purchase of Spanish pyrites was much better and an agreement is anticipated next week. This could solve the problem.

FULLERTON

9/6/1945

2073

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FULLERTON

9/6/1945

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PART I

APPENDIX "H"

FOR ACTION AGWAR FOR CCS FOR CCAC RPTD UK BASE SECTION LONDON FOR CABINET SECRETARIAT RPTD APHQ FOR FHGEG RPTD TROOPERS FOR MWT

No. 5499 15 September ROUTINE

Confidential

This is MOC 296.

Subject is allocation to Italy Rock Phosphate for year July 45 June 46.

Para 1. No shipments have yet been made out of the 500,000 tons allocated because Italians and French are unable to agree about price of initial counter export 100,000 tons pyrites.

Para 2. Loss of July, August and probably September shipments will very seriously effect Italian food production.

Para 3. Italian and French representatives in Rome recently agreed as follows : (a) that the Italian Government would issue instructions for shipments of up to 100,000 tons pyrites when shipping was made available; (b) that the French representatives would obtain instructions from Paris to authorize immediate shipment of phosphate; (c) that details of price would be agreed later.

Para 4. The Italian Government have fulfilled their part of the agreement but French Authorities in Paris have refused to give authority for phosphate shipment to comments.

Para 5. United States Embassy Paris have been asked by French to use their good offices to bring about agreement and it is understood that they have notified State

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Para 5. United States Embassy Paris have been asked by French to use their good offices to bring about agreement and it is understood that they have notified State Department of the situation.

Para 6. Italian accept French price of phosphate but Italian price of pyrites is not acceptable to French.

Para 7. May action be taken by you to start shipment of phosphates from Tunisia or other sources of supply.

Copy to: Economic Section

From : Commerce S/C
Maj. GREEN

NICHOLAS PICOBINO
CWO,USA
Asst.Adjutant

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PART I

APPENDIX "I"

DELEGATION FRANCAISE
AU CONSEIL CONSULTATIF
POUR LES AFFAIRES ITALIENNES

Rome, 19 Sept. 1945

HQ ALLIED COMMISSION
Commerce Sub-Commission
Foreign Trade Div.
Import Dept.

(Attn: Maj. Saul)

Subject : Import into Italy of North African phosphates and export of Italian pyrites to France.

1. Please find enclosed the note asked for yesterday by Maj. Saul on the telephone.

2. So far as the Italian pyrites are concerned, I have to inform you that my Government desires that the importation into France should be effected before the end of the present year.

THE COMMERCIAL ATTACHE

S/d (Illegible)

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Appendix "J"

FRENCH AMBASSADOR TO ITALY
The Commercial Attaché

NOTE FOR THE ALLIED COMMISSION

Subject : Supply of North African phosphatic for Italy.

1. The french point of view in the matter of delivering the 500,000 tons of North African phosphates the import of which into Italy has been adjudged necessary by the Combined Boards, can be summarised as follows :

2. No objection in principal is raised on our part to this contribution but the immense needs of France and the limited nature of her resources make it the duty of our Government to obtain adequate compensation from Italy.

3. The French Government asked, to begin with, the delivery of 100,000 tons of pyrites.

4. The Italian Government declared itself ready to deliver these pyrites at a price of 1.350 francs a ton.

5. This price, having been judged prohibitive, the Italians reduced it to 1.200 francs.

6. This reduction was not considered sufficient in view of the fact that Spanish, Portughese and Swedish pyrites are actually imported into France at prices varying between 330 and 350 francs per ton. Taking into account at the same time these prices and the superior quality of Italian pyrites, the French Government has offered to purchase the latter at 400 francs per ton.

7. The Italians have declared the last mentioned price to be out of the question but in view of their need for phosphates, they could perhaps accept provisionally on condition that the French Government did not object

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7. The Italians have declared the last mentioned price to be out of the question but in view of their need for phosphates, they could perhaps accept provisionally on condition that the French Government did not object to them subsequently resorting to the arbitration procedure provided for in similar cases for Italian goods belonging to Category A.

8. The French Government has accepted this suggestion and has informed the Italian Government that in exchange for the 100,000 tons of pyrites, Italy could receive a quantity of phosphates equivalent in value to that of the pyrites.

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PART I

9. The Italian Government must give a definite reply to this Embassy to-day.

Rome, 19 Sept. 1945

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PART I

APPENDIX "K"

TRANSLATION OF LETTER FROM THE FRENCH EMBASSY TO HQ ALCOM

21 September 1945

SUBJECT : Export to France of Italian Pyrites.

1. On the 19th of this month, attached to my letter No. 1342, I gave you an exact statement of the situation in the Franco-Italian negotiations regarding a projected exchange to be arranged by importation of North African phosphates and export of pyrites.

2. I have the honor to inform you today that the Italian Government has replied negatively to our offer to purchase, which (offer) only took up their own proposals. You will already know this firm's M. Caravale asked you to load pyrites without ever waiting our definite agreement.

3. In these circumstances, this Embassy obviously is not under any obligation to tie up a purchase of pyrites with the sale of phosphates.

4. The present situation is therefore as follows:

(a) An allocation of 100,000 tons of Italian pyrites was made to France by the Combined Boards, Washington.

(b) This Embassy official asked the Italian Government for delivery of these pyrites. (our letter 1324 of 17 September).

(c) If agreement could not be reached on price my Government is ready to pay the French "ceiling price" of 400 francs per ton, and leave the Rome Government free to have recourse to arbitration procedure as provided for in such cases for Italian goods which belong to Category "A".

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...ort to France of Italian pyrites.

1. On the 19th of this month, attached to my letter No. 1342, I gave you an exact statement of the situation in the Franco-Italian negotiations regarding a projected exchange to be arranged by importation of North African phosphates and export of pyrites.

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5. The credits which the Italian Government would set up by these deliveries of pyrites will naturally be available for the purchase of goods in France, phosphates, for example.

6. As a result, this Embassy undertakes immediately to gather the information which the Allied Commission needs to ask UMA to implement the program of shipments of the 100,000 tons of pyrites assigned to France.

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PART I

APPENDIX "L"

AMBASSADE DE LA REPUBLIQUE FRANCAISE
EN ITALIE

Rome, 4 October 1945

Le Conseiller Commercial

No. 1.446.IV-2

HEADQUARTERS ALLIED COMMISSION
Commerce Sub-Commission
Foreign Trade Division
Import Department
Rome

SUBJECT : Supply of North African Phosphates to Italy

1. I refer to my letter No. 1342, dated 19 September last.

2. The Ministry of Industry and Commerce has informed me yesterday they are ready to effect the pyrites/phosphates deal at the conditions I have already mentioned to you.

3. As there is no longer any objection against the delivery of phosphates from North Africa, I have asked from Paris for all instructions to be given for immediate shipment from the port of Sfax and for date on which loading can begin to be signalled to me.

4. This last information will be passed to you as soon as received.

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S/d LE CONSEILLER COMMERCIAL

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PART II

Translation of the Italian claim for the upward revision of the provisional price of 800 lire per ton of Italian pyrites as provided for in the Italian/French agreement for the exchange of Italian pyrites and Tunisian phosphate rock.

The price relation between pyrites to be supplied to France and phosphates which have been supplied to Italy arises from the fact that compulsory quotas have been fixed by Washington for both Category "A" commodities, entailing reciprocal payment.

The increase in production costs which the French had in Tunisia, and on account of which quotation remarkably higher than prewar have been imposed on us, has also occured for our pyrites, surely at an even higher rate if, besides production costs, the bearing of damages to plants is also taken into consideration.

A comparative examination of prices shows the following:

Phosphates. In 1939 the French suppliers sold medium 65/68 phosphates at $ -.30 per ton, equal to.....L.85.14per ton
This price not only was maintained for the last 1939 supplier, but also applied to all 1940 supplies. For f.o.b. delivery, the charges were at the time.....L. 7.50 " "

so that, ultimately, the cost was L.92.64per ton

In accordance with the last 1945 contract, the phosphates were delivered at an average price of about L. 1038 per ton f.o.b.

Pyrites. For pyrites, the 1939/1940 contract with the Thann & Mulhouse Company contemplated a price of $ 10 per ton free on truck loading station, equal to .....L. 198.--per ton.

The prices of our exports to other destinations in [illegible] from $ 11.50 to $ 14.50 per ton on truck

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Pyrites. For pyrites, the 1939/1940 contract with the Thann & Mulhouse Company contemplated a price of $ 10 per ton free on truck loading station, equal to .....L. 198.--per ton.

The prices of our exports to other destinations in 1939/40 went up from $ 11.50 to $ 14.50 per ton on truck loading station, equal to L.297 per ton.

By comparing the above data and considering the average price lately applied for phosphates by the French sellers, a direct quotation is arrived at for our pyrites of about L.2218 (92.64 : 198 = 1038 : X). (AC NOTE.SEE para 4 of PART III of this Airgram).

On such basis our proposals were put forward which, besides being referred to the new price of Tunisia phosphates, also correspond to the actual cost of new production pyrites. On the same basis the resumption of supplies to Swiss clients was also negotiated and concluded. (AC NOTE.ACTUALLY at 2400 lire per ton).

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In any case, even if the examination of price relation between phosphates and pyrites were extended to longer periods, the conclusion is arrived at that such relation has always been very near to 1 ton of pyrites to 2 tons of phosphates. In fact, if f.c.b. prices of Tunisia phosphates and Italian pyrites are considered for the years 1935 - 1940, the resulting ratios are as follows:

		Pyrites (prices f.c.b. per ton)	Phosphates		Ratio
1935	Lire	72.91	42.45)	average	1 : 1.72
1936	"	86.47	44.95)	price of	1 : 1.94
1937	"	124.86	65.68)	all	1 : 1.90
1938	"	124.86	65.68)	shipments	1 : 1.90
1939	"	113.74	65.34)		1 : 1.75
1940	Lire	198.--	92.64	65/68% quality	1 : 2.15

Consequently, the ratio has been on an average 1 ton of pyrites against 1.92 tons of phosphates.

Taking these ratios into account, the conclusion may be reached that against the price at present claimed for Tunisia phosphates by the Comptoir des Phosphates of:

Lit. 898 for 58/63% standard
" 1008 " 63/65% "
" 1208 " 65/68% "

the price of pyrites should in no case be under Lit.2000 per ton f.c.b.

==========

It has been stated that Spain sells Morocco phosphates in France at Fr.Frs.350 per ton (corresponding to Lit.700).

In this respect it should be pointed out that the comparison between Spanish and Italian quotations is invalidated by the artificial exchange conditions at present prevailing and likely to undergo a sudden change, and by a heavy stock situation existing in Spain as a

2065

		Pyrites	Phosphates (prices f.o.b. per ton)		Ratio
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In this respect it should be pointed out that the comparison between Spanish and Italian quotations is invalidated by the artificial exchange conditions at present prevailing and likely to undergo a sudden change, and by a heavy stock situation existing in Spain as a consequence of the Spanish political situation during the war. There is also an actual difference in the efficiency of the material, which has always influenced the price in a measure varying from 1 to 1.6 up to 1 to 1.8. Particularly, although the Sulphur content is about the same, the Spanish pyrites and the Italian pyrites differ in contents of the other metals, the approximate analyses of which are the following:

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	Italian %	Spanish %
S	47 - 48	47 - 48
Fe	44 - 44.5	43 - 44
Cu	0.02 - 0.03	0.50 - 0.50
As	0.02	0.22
Pb	0.12 - 0.15	0 - 1.10
Zn	0.03	1

The As percentage is so high in Spanish pyrites that they are thereby classified as "arsenical", and for this reason the resulting acid can be used only for the production of fertilizers, to the exclusion of industrial applications.

It is through the low As content that the Italian pyrites are amongst the most valued ones of European production.

During processing operations, the above mentioned metals give rise in the furnaces to the formation of "matte", commonly known as slag, which cause breakages in the scraper arms of the roaster furnaces and other inconveniences, thereby making the up-keep of plants more costly.

Besides, the presence of copper, lead and zinc makes desulphurization more difficult, in as much as sulphur remains alloyed to the above mentioned metals and thereby a loss in sulphur takes place corresponding to about 2/3%; this does not occur with Italian pyrites for which the loss can be reckoned as 0.5% at the most.

The fact that the French offered a slightly higher price for Italian pyrites as against the price paid for Spanish pyrites (Lit.800 instead of 700 per ton) does not alter the situation, considering that the relation between Italian pyrites and Tunisia phosphates would in any case be upset from what it was before the war.

On the other hand, it may be pointed out to the French that North American phosphates, 68% standard, are being sold at $ 3.30 corresponding to Lit. 330, against about Lit. 1030 claimed by the French.

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

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On the other hand, it may be pointed out to the French that North American phosphates, 68% standard, are being sold at $ 3.30 corresponding to Lit. 330, against about Lit. 1038 claimed by the French.

In this case, the relation with pyrites would be even more favourable than asked for by the Italians.

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

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PART III

Allied Commission's Recommendations on the Establishment of a Price for Italian Pyrites.

1. It will be apparent, from the outline of the negotiations between France and Italy for the exchange of Tunisian phosphate rock against Italian pyrites, that the supply of phosphate rock by France was considered to be strictly contingent upon the supply of pyrites by Italy. Since this consideration was common to both negotiating parties, it is believed that the respective values of the two commodities may be considered fairly on a ratio basis. The relevant prices of phosphate rock and pyrites for past years, as given in the Italian presentation of their case (Part II of this Airgram), are based on fact. The current phosphate rock prices are accepted by the Italians. Therefore, there is justification for the Italian claim that the price of pyrites should be very much higher than the provisional price of 800 lire per ton, which is now referred to you for revision.

2. The Italian claim to maintain approximately the normal value ratio of Tunisian phosphate rock to Italian pyrites may be considered reasonable. If it is accepted, the establishment of a present day price for Italian pyrites depends on deciding what was a justly representative price ratio of the two commodities prior to 1940. The respective fob prices of Tunisian phosphate rock and Italian pyrites during the years 1935 through 1940 bear the following ratios :

	Pyrites	:	Phosphate Rock
1935	1	:	1.72
1936	1	:	1.94
1937	1	:	1.90
1938	1	:	1.90
1939	1	:	1.75
1940	1	:	2.15

2065

(see Part II for fuller details)

However, 1940 was an abnormal year and Allied Commission

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

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2. The Italian claim to maintain approximately the normal value ratio of Tunisian phosphate rock to Italian pyrites may be considered reasonable. If it is accepted, the establishment of a present day price for Italian pyrites depends on deciding what was a justly representative price ratio of the two commodities prior to 1940. The respective fob prices of Tunisian phosphate rock and Italian pyrites during the years 1935 through 1940 bear the following ratios :

2055

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1936	1	:	1.94
1937	1	:	1.90
1938	1	:	1.90
1939	1	:	1.75
1940	1	:	2.15

(see Part II for fuller details)

However, 1940 was an abnormal year and Allied Commission consider that it should be ignored in endeavoring to establish a fair relative value between the two materials. Disregarding 1940 then, the average ratio for the five year 1935 through 1939 was 1 ton of pyrites: 1.84 tons of phosphate rock. Applying this to the average Tunisian phosphate rock price of 1038 lire per ton, as agreed between the Italians and the French, pyrites would be

PART III

worth 1910 lire per ton, which is very considerably less than the price which the Swiss have recently agreed to pay for the same material.

3. With regard to the Italian case, Allied Commission are not of the opinion that a comparison between the 1940 price of pyrites and the 1940 price of 65/68% phosphate rock can be applied rightly to the 1945 average price of the three qualities of phosphate rock in order to arrive at the value of pyrites, (as has been done in the early part of the Italian case, Part II of this Airgram).

4. Allied Commission recommend that the pyrites price should be 1910 lire per ton which is based on the reasonable ratio quoted in para.2 above.

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

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

4410 + 4040 Ex Commissioner (2)

OUTGOING MESSAGE

187

TO : FOR ACTION TROOPERS RPTD ACHAN FOR CCS FOR CCAC FOR CLAC RPTD AFHQ FOR FIGEN

ROF No: 8103 DATE : 8 NOVEMBER 1945 Precedence: ROUTINE

CONFIDENTIAL ID

NOV 10 1945

THIS IS TAI ONE FIVE SIX ID

SUBJECT IS FRENCH ITALIAN AGREEMENT ON PHOSPHATE ORLIQUE PYRITES ID

PARA ONE ID PAT ONE SEVEN FIVE REFERS ID

PARA TWO ID AGREEMENT REACHED ID

PARA THREE ID FRENCH EMBASSY REPORT ONE ZERO ZERO ZERO ZERO ZERO TONS PHOSPHATE ROCK AVAILABLE FOR SHIPMENT FROM SFAX AS FOLLOWS CLN THREE SIX ZERO ZERO ZERO ZERO TONS NOVEMBER CMA THREE ZERO ZERO ZERO ZERO TONS DECEMBER CME TWO FIVE ZERO ZERO ZERO TONS JANUARY CMA NINE ZERO ZERO ZERO TONS FEBRUAR FEBRUARY DE

PARA FOUR ID

ITALIANS HAVE AVAILABLE FOR IMMEDIATE SHIPMENT ONE ZERO ZERO ZERO ZERO ZERO TONS PYRITES FROM FOLLONICA DASH PORTOLIONI AS FOLLOWS CLN TWO FIVE ZERO ZERO ZERO TONS TO SOUTH FRANCE CMA SEVEN FOVE ZERO ZERO ZERO TONS TO ATLANTIC PORTS

DIST

ACTION DIRECTION : ECON SEC (11)
(CSO (6))
(SUPPLY GROUP)
(PROGRAM BR)
(REQUISITION BR (3))

ADVANCE COPIES TO : COMMERCE SC (2)
FINANCE SC
FOOD -AGRIC SC (2)
IND UTILITIES SC (3)
TN SC (2)

INFO : CHIEF COMMISSIONER
EX COMMISSIONER (2)
CG BR EMB
CA TO US EMB
TEL. ROME
.METR
FILE

See M 188

2064

CAPT BRAYBROOKE. (ADVANCE COPY NOT SENT TO EC)

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

HEADQUARTERS ALLIED COMMISSION
APO 394
COMMERCE SUBCOMMISSION
Foreign Trade Division

Tel. 478192

SKIS/VM/cr

Ref. AC/5201/2/Emp/Commerce

8 November 1945

NOV 9 1945

SUBJECT: Phosphate Rock

TO : Transportation S/C (Attn: Major Loraman) (3)

1. The French Embassy, in their letter 1.773-II-38, dated 7 November, confirm that 100,000 tons of phosphate rock may be loaded from North Africa for Italy during the period November 1945 to 28 February 1946, as detailed on the attached schedule.

2. The above-mentioned quantity is inclusive of the 6/7000 tons already mentioned in this Sub-Commissions's letter, same reference, of 24 October and verbal discussions.

Major H. A. GENT

1 Encl.as para 1.

H. A. GENT
Major
Director
Commerce Subcommission

Copy to: Chief Commissioner
Executive Commissioner
Economic Section
Supply Division
Industry and Utilities S/C (Attn:Mr.Dorkovich)
British Embassy
American Embassy
French Embassy
Office of the French Representative to
Ministero Industria e Commercio
Dir.Gen.Comm.Estero
ICE, Via Torino 107, Rome
SICEA, Via Marche 1, Rome

(CAPT DRAYCROOKE)

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

1 Enc.

LIFTING OF PHOSPHATES

Contracts	Tonnage	Shipping port	Month	Year	Vessel
1st agreement	7.000	Sfax	November	1945	s/s "SFINGE" about 8/11/45
" "	18.000	"	"	"	to be designated
" "	5.000	Tunis	"	"	" " "
" "	15.000	Sfax	December	"	" " "
" "	5.000	Tunis	"	"	" " "
	50.000				
2nd agreement	10.000	(I) Tunis and/or Sfax	"	"	" " "
" "	25.000	(2) " "	January	1946	" " "
" "	15.000	(2) " "	February	"	" " "
	100.000				

(I) It cannot be guaranteed that these 10,000 tons will be loaded in December. In case this supplementary quantity cannot be loaded before the end of the current year, it will be carried forward for January.

(2) These quantities are only given for information, and it has so far been impossible to determine the loading distribution between Tunis and Sfax. However, all necessary clarification will be supplied before 15 December prox.

2065

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

HEADQUARTERS ALLIED COMMISSION
APO 394
COMMERCE SUBCOMMISSION
Foreign Trade Division

Tel. 478192

SKI3/VM/ig

24 October 1945

REF. : AC/5201/2/Imp/Commerce

SUBJECT : Phosphate Rock

TO : Transportation S/C (Attn: Major Laraman) (3).

OCT 24 1945

1. The French Embassy have notified this Sub-Commission with letter No.1.587-IV-2, dated 22 October 1945, that the immediate loading of phosphate rock has been authorized and that ships should be sent forthwith to SFAX to lift the first consignment of 6,000 (six thousand) tons of phosphates. The French Embassy have promised to give, very shortly, exact details of subsequent quantities to be lifted.

2. Therefore, it is requested that shipping be arranged to lift above cargo with such disposal instructions as may be given by Chemical Division.

3. SOCIETA' ITALIANA PER IL COMMERCIO ESTERO (S.I.C.E.A.) - Via Marche 1, Rome - have been duly authorized to act as receiving agents and, in order to facilitate their work, it is urgently necessary that the maximum possible notice of arrivals of shipments should be given to them.

H. A. GENT
Major
Director
Commerce Sub-Commission

Copy to: Chief Commissioner
Executive Commissioner
Economic Section
Supply Division
Industry S/C (Attn: Mr.Dorkovich)
British Embassy
American Embassy
French Embassy
Office of the French Representative to AC
Ministero Industria e Commercio, D.G.Comm.Estero
I.C.E., Via Torino 107, Rome
S.I.C.E.A., Via Marche 1, Rome

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

CONFIDENTIAL

Rome, 22 October, 1945

OCT 23 1945

M E M O R A N D U M

To : The kind attention of Brigadier Lush.

Subject : Shipments of phosphate rock from North Africa.

The "Montecatini" states that a provvisional agreement has been recently reached between the Italian and the French Government for the supply of 100.000 tones of phosphate rock from Tunisia.

Allied Commission, Commerce and Transportation Sub-Commission, are now only waiting written confirmation from the French Government that Allied shipping may go to Tunesian ports to load.

Such confirmation has been already sought through different channels but it has not yet arrived.

In view of the grave situation in which the fertilizer industry finds itself on account of the block of phosphate import and in order to start Northern Italy's factories and to avoid bringing Central and Southern Italy factories to an immediate standstill, the "Montecatini" would be extremely grateful for any assistance the Allied Commission would grant them, in order to expedite said confirmation from the French Government.

Spoke C. & told him abt. P.6.
No further action

Fine
26/10.

F.182

(OFF WHITE)

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

4410

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HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

Tel: 478192

SKIS/lg

17 October 1945

Ref. AC/5201/2/Imp/Commerce

OCT 18 1945

SUBJECT: Italian-French trade - Pyrites/Phosphate Rock.

TO : Mr. Charles Livengood,
American Embassy

1. Reference is made to your letter dated 27 September regarding this Headquarters' suggestion to approach the Emergency Economic Committee for Europe to give assistance in the proposed pyrites/phosphate rock deal between the Italian and the French.

2. In view of the recent developments in the negotiations between the French and the Italians, it would not appear that any useful purpose would now be served by pursuing this line of action.

3. We are informed by the Italian Government that they are to sell 100,000 tons of pyrites at a provisional price of 800 lire per ton, it being stipulated that this price is subject to arbitration by Washington. There is also a matter of some 11,068 kilos of bergamot oil to be sold to the French. The Italians will receive in exchange phosphate rock to the value of the pyrites and the bergamot oil.

4. These conditions have been agreed by the French Commercial attaché but confirmation that Paris have authorized the loading of phosphate rock is still awaited.

For the Chief Commissioner:

(sgd) E B. McKinley

E.B. McKINLEY
Brigadier General USA
Acting Vice President

Copy to: Office of the Chief Commissioner
Office of the Executive Commissioner
Economic Section
Commerce S/C

2055

See no. 179.

Lt (Capt White)

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

44109

171

HEADQUARTERS ALLIED COMMISSION
APO 394
COMMERCE SUBCOMMISSION
Foreign Trade Division

Tel. 478192 SKIS/cr

Ref. AC/5201/2/Imp/Commerce 17 October 1945

SUBJECT: Phosphate rock supplies OCT 19 1945

TO : Industry S/C

1. Reference is made to AC/460/N/IFD dated 10 Oct. addressed to Industry S/C by the Milan Office, in which are set forth certain suggestions regarding the supply of phosphate rock.

2. It is considered by this Sub-Commission that the American phosphate is the most promising alternative supply. Arrangements are in hand to ascertain price and availability of Florida phosphate but it is feared that the freight expenses will make the cost prohibitive.

3. It is almost certain that the supply of French phosphate will commence soon.

4. With regard to the Egyptian phosphate this is a matter for the Italian Government to consider and is not within our province. They are fully aware of the existence of these mines.

H. A. GENT
Major
Director
Commerce Subcommission

2058

Copy to: Office of the
Chief Commissioner
" " the Executive Commissioner
Industry S/C, Milan

Hm. (DRFT WRITES)

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

171

HEADQUARTERS ALLIED COMMISSION
APO 394
COMMERCE SUBCOMMISSION
Foreign Trade Division

Tel: 478192

SKIS/lg

10 October 1945

Ref. AC/5201/2/Imp/Commerce

OCT 11 1945

SUBJECT: Importation of Phosphate Rock from Tunisia

TO : Ministero Industria e Commercio
Dir.Gen.Commercio Estero
Serv.Trattati - Div.II

1. Receipt is acknowledged of your letter 22605 dated 5 Oct., in which you advise us that your Government has agreed to sell 100.000 tons of pyrites and 11,068 kilos of bergamot oil to the French, in exchange for which you will receive a correspondingly valued quantity of phosphate rock from French North Africa.

2. This HQ is now awaiting :
a) Confirmation by the French that loading of phosphate rock has been authorized.
b) Shipping bid for pyrites. This is in course of preparation by the French Commercial Attaché.

3. The shipping programme can not be implemented until the confirmation, mentioned in 2 (a) above, is received. However all details regarding tonnages and ports of entry have been agreed and the programme is ready to pass to the shipping authorities without delay.

W.E.SCOTTEN,
Major, M.I.S.
Acting Director
Commerce Subcommission

Copy to: Office of the Chief Commissioner
" " the Executive Commissioner
Economic Section
Industry S/C
Transportation S/C

(Cont White)

Ernst

See 2/2057
175-171

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

WLHQ 8D

HEADQUARTERS ALLIED COMMISSION
APO 394
Economic Section

169

Tel. 478198

Ref. : AC/ECO1/E/Imp/Commerce

4 October 1945

SUBJECT : Italian Economic Negotiations with France

OCT - 5 1945

To : Ministero degli Affari Esteri
Dir. Gen. A.E. - Uff. II - Rome

M/R Ec

1. Reference is made to your memorandum No. 6/3404/1635 dated 20 September 1945 on the above subject.

2. The importance of ensuring regular supplies of phosphate rock to Italy is thoroughly appreciated by this Headquarters. Every effort is being made to bring about an agreement whereby the early resumption of shipments can be effected.

3. The present deadlock is due to disagreement between your Government and the French on the price of pyrites. The French have offered to buy 100,000 tons of Italian pyrites at a provisional price of 800 lire per ton, while agreeing that this price is subject to revision following adjudication on price by Washington. In return they are prepared to authorize the immediate shipment of phosphate rock, priced at 900 lire per ton, to an amount equal in value to the 100,000 tons of pyrites, priced at 800 lire per ton or such price as may be decided subsequently.

accepted

4. This offer is unacceptable to the Italian Government since the Treasury are unable to agree to subsidize the export of pyrites at 800 lire per ton.

5. Further negotiations are now in progress to ascertain whether the French are prepared to sell phosphate rock for American dollars which your Government has requested the American Treasury to make available for the purpose. The outcome of the present discussion between your Government and the French is still awaited.

6. Meanwhile, this Headquarters will continue the close, daily liaison which it has maintained hitherto between the Italian Ministry of Industry and Commerce and the French Commercial Attache.

(sgd) E B. McKinley
E. B. McKINLEY
Brigadier General, USA
Acting Vice President

cc: Office of Chief Commissioner
Office of Executive Commissioner
Commerce Sub-Commission
Ministry of Industry and Commerce

2056

(CAPT WHITE)

Ernst

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

44104

EC

Ministero degli Affari Esteri

URGENT

6/3454/1635 (149A)

OCT - 9 1945

MEMORANDUM FOR THE ALLIED COMMISSION

Subject: Economic negotiations with France.

1.- According to the authorization granted by Admiral Ellery W. STONE last July, the Italian Government started negotiations with the French Embassy to import into Italy 500.000 tons of phospates against the export to France of 100.000 tons of pyrites and some quantities of mercury, sulphur or essence of bergamot.

The balance between the value of said imports and exports should be settled by using Italian credits towards France, as existing in the "Memorandum Account".

2.- At the end of the month of July 1945, the French Embassy notified that the prices of Italian pyrites and mercury were considerably higher than the prices on the other markets.

3.- At the beginning of September, after long negotiations, Italian Government notified the French Embassy that apart from the question of prices they would be ready to authorize the delivery of pyrites to France even if the import of phosphates into Italy would not take place at the same moment.

It was also communicated that the Italian Government were ready to authorize the delivery of 11.067 Kgs. of essence of bergamot at a convenient price and n.4.000 bottles of mercury at the price of $130(as compared with the present quotation of $250).

4.- It appears obvious from the above that Italian Government have done everything possible to meet French requests, in consideration of the high interest that the importing of phosphates has for Italy.

5.- With regard to the question of supplies of phosphates to Italy we beg to enclose herewith translation of a memorandum sent to the Ministry for Foreign Affairs by the "MONTECATINI" Company, illustrating the serious situation which has arisen owing to the fact that the arrival of the promised quantities of phosphates for the months of July and August has not taken place.

2035

Rome, September 20th.1945.

(EA)

One encl.

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

"MONTECATINI"

Rome September 8, 1945

Subj: IMPORT OF PHOSPHATES.

1698

We beg to draw your attention on the very serious situation we are facing, owing to the fact that foreseen supplies of mineral phosphates from Tunisia, destined to our plants for the production of chemical fertilizers for agriculture, have not arrived.

The programs of the A.C. for the months of July and August did not become effective, not even partially, and after the quantity of 100.000 tons sent by France according to provisions of A.C., the second semester 1944 and the first semester 1945, no more deliveries have taken place.

The plants of our Company in Central and Southern Italy already in operation have a potential production of 317.000 quintals of super-phosphates per month, and after completion of the works already started and announced derequisitions such figure may reach by the end of the year 367.000 tons monthly.

In August, we have been compelled to operate on the basis of 80% of our potential capacity only, and during the present month the reduction has reached 50%, in order to prolong as long as possible the total utilization of our stocks, which have already reached a minimum level.

Not with stending such drastic measures, unless we receive new supplies all of our plants will cease operation between the end of September and the middle of October.

It is therefore absolutely necessary that new deliveries of phosphate take in the immediate future, in order to avoid the very serious damages connected with a general close-up of our plants.

We shall be grateful if you kindly will take steps.

2054

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

4410

(166)

FOR ACTION AGWAR FOR COS FOR CCAC RPTD UK BASE SECTION LONDON FOR CABINET SECRETARIAT RPTD AFHQ FOR FHCEG RPTD TROOPERS FOR MET

5847 29 SEPT. 45 ROUTINE

THIS IS MCC THREE ZERO SIX PD

SUBJECT IS ALLOCATION TO ITALY ROCK PHOSPHATE PD

PAREN TO FOR ACTION AGWAR FOR COS FOR CCAC RPTD UK BASE SECTION LONDON FOR CABINET SECRETARIAT RPTD AFHQ FOR FHCEG FROM HQ ALCOM CITE ACCOM RPTD TROOPERS FOR MET PAREN

PARA ONE PD MCC TWO NINE EIGHT REFERS PD

PARA TWO PD ALCOM HAVE SUGGESTED TO BRITISH AND AMERICAN EMBASSIES ROME THAT EMERGENCY ECONOMIC COMMITTEE FOR SUBCPS MAY BE ABLE TO ASSIST IN ACHIEVING AGREEMENT BETWEEN FRENCH AND ITALIANS ON PYRITES VALUE IN RELATION TO PHOSPHATE PD

PARA THREE PD URGENTLY REQUEST EARLY ADVICE ON PARA SEVEN OF MCC TWO NINE EIGHT

SEEN –

Copy to: Chief Commissioner
Executive Commissioner
Economic Section

COMMERCE S/C

478192

(Maj. S.K.I. GAUL)

NICHOLAS PICOBIRO
CWO, USA,
Asst. Adjutant

(Capt White)

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

HEADQUARTERS ALLIED COMMISSION
APO 394
COMMERCE SUB-COMMISSION
Foreign Trade Division

SKIS/ram

18 September 1945

Tel. : 478192

Ref. : AC/5201/2/Im/Commerce

SUBJECT: Italian French Trade in Pirites/Phosphate Rock.

TO : Supply Division - Economic Section

1. Reference is made to your letter ES/21.09 dated 15 September, in which are set forth four suggestions for action by this Sub-Commission with a view to hastening agreement between the French and the Italians on the phosphate rock-pirites exchange.

2. These suggestions have been carefully examined and, as a result, the following observations are made:

Ref. Para 2a.

It is felt that to press the Italians to offer their pirites at a price substantially lower than their previous lowest offer, before it is known what action is being taken by the CCS, might prejudice AC's relations with the Italian Government if, after advising them to accept disadvantageous terms, subsequent action by the CCS should prove AC's advice to have been premature.

However, the Italians have today been approached again without pressure, and have unofficially intimated that they will accept L2000 per ton for pyrites, which is their best offer to date. Allocation of the 500,000 tons of phosphate rock was made on 21 June since when the dispute has centred round the phosphate rock-pirites price ratio, with the Italians top claim at 3½ to 1 and the French at 1.17 to 1.

The latest unofficial offer of 2,000 lire per ton of pirites against the French phosphate rock price of 900 lire per ton is a rate of 2.2 to 1 which can be claimed to be a generous compromise offer. Furthermore, the Italians have already authorized immediate shipment of the pyrites without waiting for agreement to be reached. Until now, the French have not been disposed to accept delivery of the pirites but as a result of telephone conversation (Mr. Sicard-Major Saul) Mr. Sicard has promised to call tomorrow, Wednesday, September 19, and to discuss the shipment of pirites.

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3. Ref. Para 2, b.

It is agreed that a clear statement of the French attitude is desirable. This has been requested from the French Embassy and M. Sicard has undertaken to furnish it when he calls tomorrow.

With reference to the French attitude, Carevale, Director of Foreign Trade in the Ministry of Industry and Commerce, has today intimated that he believes that the French are willing to accept arbitration by Washington.

4. Ref. para 2 c.

This suggestion is agreed but it is thought that the CCS should be kept informed of this new step. A draft of a proposed cable is attached.

5. Ref. Para 2d.

The American Embassy have been consulted and are in agreement with this Sub-Commission that, as the whole question has already been referred to the State Department and the CCS, it is not appropriate to request intercession by the U. S. Embassy in Paris. However, the Embassy is sending paraphrase of MOC 298 to Paris and are supplementing it with explanation of the importance of phosphate rock to Italy.

H. A. GENT
Major
Director
Commerce Sub-Commission

Enclosure
Draft of proposed cable to CCS

CC: Executive Commissioner
Acting Vice-President E/S
Deputy Vice-President E/S
Industry S/C

2051

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

4410 91

Tel. 546

HEADQUARTERS ALLIED COMMISSION
AFO 394
ECONOMIC SECTION
SUPPLY DIVISION

CWW:lrw

Ref. ES/2109

15 September 1945
SEP 17 1945

SUBJECT: Italian-French Trade in Pyrites Phosphate.

TO : Commerce Sub-Commission.

1. The a/m subject has again come up at the meeting of the Executive Commissioner this date. Economic Section in general and Commerce Sub-Commission in particular are enjoined to exert every effort to cause an effective arrangement to be made.

2. In addition to the message to the CCS, already dispatched, the following are suggestions for Commerce Sub-Commission:

a. Press the Italians to offer their pyrites at a rate which, perhaps unreasonable, will result in the arrival of phosphates. This to further assure their indigenous crops.

b. Press the French for a clear and firm statement of their position.

c. Suggest to US/UK Embassies that they place before the Emergency Economic Committee for Europe request for intervention of EECE in problem (Brigadier Anderson talking to Sir Richard Nosworthy). Commerce Sub-Commission please take up with Mr. Livengood.

d. Get message off through US Embassy channels to Paris following up the report they gave us and asking for their intercession.

2053

See W/160

For the Acting Vice-President:

(Signed)
CHARLES W. WALTON
CHARLES W. WALTON
Colonel, AC
Chief, Supply Division

Copy to:
Executive Commissioner
Acting Vice-President, E/S
Deputy Vice-President, E/S

(Capt Archbold)

SEP 11 out
CC 1423 15

MEMORANDUM FOR REAR ADMIRAL ELLERY STONE

KIND ATTENTION

SUBJECT: Phosphate Rock.

Present interruption of phosphate rock shipments from North Africa which has now lasted already over two months and is entirely due to the French apparent unwillingness to sign the proposed new contract, is causing great concern to our Company while it is known that officiel Italian circles take a very serious view of the situation.

Until the beginning of July some 92.000 tons of phosphate rock have been received by our Company: 67.000 tons have been processed yielding apr. 115.000 tons of superphosphate. At the factories some 26.000 tons are still in stocks from which additional 43.000 tons of fertilisers will be obtained.

With present rate of operations, unless no further shipments should reach our ports immediately, most of our factories will be brought to a standstill within this month. In fact the activity has been already reduced at various factories and one plant is uncoperative through lack of phosphate rock. Northern Italy plants are unable to start operations at all.

Above situation is even more disappointing if we consider that shipments by sea of the other important raw material, namely pyrite (which is indigenous) are at present quite satisfactory and through the efficient cooperation 2043 given by the various Sub-Commissions of AC, Transportation and Movements Division particularly, also some shipments by rail to Northern Italy factories are just about to start.

In view of the gravity of the situation, our Company would be glad if the possibility of supplying phosphate rock from other sources which could favourably compare as landed cost with French phosphate, could be immediately considered.

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

SUBJECT: Phosphate Rock.

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Rome,September 11th 1945

(dott. Carlo Faina)

Florida
vs Pyrites

See H/57/456

2045

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

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

15th
155

FOR ACTION AGWAR FOR CCS FOR CCAC RPTD UK BASE SECTION LONDON
FOR CABINET SECRETARIAT RPTD AFHQ FOR FHG HG

SEPT 45 ROUTINE

CONFIDENTIAL PD
THIS IS MCC TWO NINE EIGHT PD
SUBJECT IS ALLOCATION TO ITALY ROCK PHOSPHATE FOR YEAR JULY FOUR
FIVE JUNE FOUR SIX PD
PAREN TO FOR ACTION AGWAR FOR CCS FOR CCAC RPTD UK BASE SECTION
LONDON FOR CABINET SECRETARIAT RPTD AFHQ FOR FHGHQ FROM HQ ALCOM
CITE ACCCS PAREN
PARA ONE PD NO SHIPMENTS HAVE YET BEEN MADE OUT OF THE FIVE ZERO
ZERO ZERO ZERO ZERO TONS ALLOCATED BECAUSE ITALIANS AND FRENCH ARE
UNABLE TO AGREE ABOUT PRICE OF INITIAL COUNTER EXPORT ONE ZERO ZERO
ZERO ZERO ZERO TONS PYRITES PD
PARA TWO PD LOSS OF JULY CMA AUGUST AND PROBABLY SEPTEMBER
SHIPMENTS WILL VERY SERIOUSLY AFFECT ITALIAN FOOD PRODUCTION PD
PARA THREE PD ITALIAN AND FRENCH REPRESENTATIVES IN ROME RECENTLY
AGREED AS FOLLOWS CLN PAREN ABLE PAREN THAT THE ITALIAN GOVERNMENT
WOULD ISSUE INSTRUCTIONS FOR SHIPMENTS OF UP TO ONE ZERO ZERO
ZERO ZERO ZERO TONS PYRITES WHEN SHIPPING WAS MADE AVAILABLE
PAREN BAKER PAREN THAT THE FRENCH REPRESENTATIVES WOULD OBTAIN
INSTRUCTIONS FROM PARIS TO AUTHORIZE IMMEDIATE SHIPMENT OF PHOSPHATE

Sec'f 126 to 8/...

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

~~153~~
154

FAREN CHARLIE FAREN THAT DETAILS OF PRICE WOULD BE AGREED LATER PD
PARA FOUR PD THE ITALIAN GOVERNMENT HAVE FULFILLED THEIR PART
OF THE AGREEMENT BUT FRENCH AUTHORITIES IN PARIS HAVE REFUSED
TO GIVE AUTHORITY FOR PHOSPHATE SHIPMENT TO COMMENCE PD
PARA FIVE PD UNITED STATES EMBASSY PARIS HAVE BEEN ASKED BY
FRENCH TO USE THEIR GOOD OFFICES TO BRING ABOUT AGREEMENT AND IT
IS UNDERSTOOD THAT THEY HAVE NOTIFIED STATE DEPARTMENT OF THE
SITUATION PD
PARA SIX PD ITALIAN ACCEPT FRENCH PRICE OF PHOSPHATE BUT ITALIAN
PRICE OF PYRITES IS NOT ACCEPTABLE TO FRENCH PD
PARA SEVEN PD MAY ACTION BE TAKEN BY YOU TO START SHIPMENT
OF PHOSPHATES FROM TUNIS OR OTHER SOURCES OF SUPPLY

2047

Copy to: Economic Section

COMMERCE S/C

476 192

NICHOLAS PIOMBINO
COW, USA
Asst. Adjutant

(MAJ. GREEN)

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

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

11 September 1945

SEP 11 1945

Ref. :ES/10.04

Subject: Phosphates

To : The Chief Commissioner

1. Attached is copy of a signal received by the U. S. Embassy, Rome, from the U. S. Embassy, Paris, which has been passed on to us.

2. The contents of this signal indicate that the French are not prepared to fulfill their part of the verbal agreement, reached previously and already known to you, when it was arranged that the Italians would give immediate instructions for the shipment of the 100,000 tons of pirites required by the French, and that the French would obtain authority to instruct North Africa to commence immediate shipment of the phosphates. It is to be noted that the Italians have complied with their part of the agreement.

3. It is suggested that the present situation and facts should be immediately submitted to Washington by signal. It is felt that such action is a definite responsibility of the Allied Commission, to insure that Washington's allocation of phosphates for the year 1945-46 is implemented. A signal has been prepared and is attached for your approval.

4. It is further suggested that you might wish to talk with the French Ambassador in Rome, pointing out the very serious consequences of this continued delay, not only from the point of view of shipping, but also from the point of view of food for Italy during 1946.

E. D. McKINLEY
Brigadier General, U.S.A.
Acting Vice-President
Economic Section

Attachments :

(CAPT. ARNOLDY)

[redacted]

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

(151)

PARAPHRASE

Telegram No. 180, August 29, from American Embassy, Paris, received August 31. The Embassy discussed informally with the Ministry of National Economy on August 25 difficulties encountered in arranging exchange deal of phosphate rock from Tunisia against pyrites from Italy and asked U.S. to extend its good offices. Embassy officers after listening to the story told the French officers that they would submit a report to the State Department and to the Embassy at Rome. Italy offers to sell pyrites on a basis of 1200 francs, while price of Spanish pyrites is 350 francs and Portuguese 320 per metric ton. Due to quality differentials, Italian pyrites are 40 to 50 francs above Spanish. The French explained the Italian argument on basis that the phosphate-pyrite price ratio before the war was 3.5, meaning that Tunisien phosphate at 450 francs would make Italian pyrites 1575 francs. The French argued that pre-war price ratio is 1.17, making pyrites 527 francs. The French say they will pay 400 francs, but inferred that this might be increased to 525.

The only interest of the United States in this problem is our over-all concern in stimulating production of food. On August 28 Agriculture Ministry said informally and confidentially that the outlook for purchase of Spanish pyrites was much better and an agreement is anticipated next week. This could solve the problem

FULLERTON

2045

CWS/at - 9/6/45

[redacted]

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

HEADQUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
APO 394

Ex Com

150

4440

29 August 1945

AUG 30 1945

My dear Mr. Prime Minister :

I thank you for your letter of 21 August 1945 in regard to the question of the supply of phosphates from North Africa to Italy. As you will have already learned from my letter of 16 August, this is a subject with which I have been very much preoccupied.

I was, therefore, more than pleased to receive your letter of 23 August and to learn that an agreement has been reached between your government and the French Delegation by which your government has already instructed the Montecatini Company to be ready to load the 100,000 tons of pyrites allotted to France and that authority will be given to start loading and transport of the phosphates from North Africa, as soon as shipping is available.

I very much regret that it is not within the terms of my authority to issue direct orde s for the loading of the phosphates in Tunisian harbors, for Italy, but you may rest assured that all the help that lies within the power of this Commission will be given to facilitate the question of transport both of the phosphates and the pyrites.

Yours very truly,

Copy to:

- Executive Commissioner's Office
- Economic Section
- Finance S/C
- Transportation S/C
- Commerce S/C
Industry S/C

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio PARRI
President of the Council of Ministers
Italian Government
Rome

(Capt Atherton) PA/HW

204 i

2190

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

Reg n. 95

Translation

The President of the Council of Ministers

588 Rome, 23 August 1946

AUG 25 1945

Dear Admiral,

to complete what I wrote to you on the 21st regarding the supply of mineral phosphates, and in relation with your letter n. 655/102/th of August 16th, I want to add what follows:

1 - Ever since it knew that the Combined Board had allotted 500.000 tons of phosphates to Italy, the Italian Government did all it could to come to an agr eement with the commercial Delegation of the French Embassy in Rome, to balance the import of phosphates in I aly with the export of goods useful to French economy (pyrites, sulphur, mercury, extract of 'bergamotto', seeds, pumice stone, 'sommacco', etc).

It hasn't been able to reach this end rapidly, no through ill-will, for the Italian side showed its good will in every possibl way, but because of some technical difficulties; the French Delegation is waiting for orders from its Government to solve them.

2. - In any case, not to delay the program of transport prepared by the Services of the Allied Commission, it has been decided, in agreement with the French Delegation, to authorize at once the loading and transport of the phosphates from North Africa as well as of the Italian pyrites, while deciding that the negotiations for a definitive agreement would be actively carried on.

3. - For its part, the Italian Government has already ordered the Montecatini Co. that supplies pyrites, to be ready to load at Follonica - Portiglioni the 100.000 tons allotted to France, to assure the quickest possible delivery and make the best possible use of the shipping which will be available for this end.

4. - I hope that this mutual pledge will be considered satisfactory by the Allied Commission for the ends it aims at, and I beg you, my dear Admiral, kindly to issue orders for the loading and transport of the phosphates to be carried out as fast as possible, to make up for the time that has been wasted, in the interest of Italian agriculture which urgently requires phosphate fertilizers.

Believe me,

Ec Dist - 28 Aug 45
Action: Econ Sec (2)
Info: Chief Comm
Exec Comm

Yours very truly,

s. Perruccio Parri

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
R o m e

trans. e/o

(Chief Armistice) P.A.

FW - 1449
F - 150
2043
BO 29/8

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

4410

reg u. 88

147

Translation

The President of the Council of Ministers

n. 588 Rome, 21 August 1945

AUG 22 1945

Dear Admiral,

I deem it necessary to draw your attention on the question concerning the import of Tunisian phosphates in Italy.

As you well know, the Combined Board of Washington, on the proposal of the Allied Commission, allotted Italy for the year 1st July 1945 - 30th June 1946, 500.000 tons of phosphates, leaving the Italian Government to make direct arrangements with the French Government for the payment of the goods.

The Italian side expressed several times to the French Commercial Delegation in Rome the wish to reach as soon as possible an agreement on the price of the phosphates as well as on the counterpart offered in compensation (pyrites, sulphur, mercury, extract of 'bergamotto', seeds, pumice stone, 'somacco', etc)

However, up to now, in spite of our goodwill and that of the said delegation, for technical reasons, and for price reasons, it hasn't yet been possible to come to an agreement, and as the shipping of the phosphates depended on the reaching of this agreement, a very serious prejudice is being caused to our agriculture, for the carrying out of the program for the production of phosphate fertilizers has been delayed for about two months, already.

To avoid a longer delay, and a prejudice to the agricultural economy of the country which might become irreparable, I appeal to your kind courtesy, and ask you to issue order for the immediate loading of the phosphates in the Tunisian harbours, and their delivery according to the transport program already drafted by the Allied Commission, even if a formal Italo-French agreement has not yet been reached. I assure you that we shall do everything to overcome the technical difficulties which I mantioned and that every effort shall be made to have the payment of the phosphates settled without delay by means of the exporting of our products to reach an agreement as soon as possible.

Will you kindly let me know your answer.

Believe me,

Yours very truly,

2042

s. Ferruccio Parri

...portation phosphates in Italy.

As you well know, the Combined Board of Washington, on the proposal of the Allied Commission, allotted Italy for the year 1st July 1945 - 30th June 1946, 500.000 tons of phosphates, leaving the Italian Government to make direct arrangements with the French Government for the payment of the goods.

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Will you kindly let me know your answer.

Believe me,

Yours very truly,

2042

s. Ferruccio Parri

E E Distr-22 AUG 45

ACTION: E en Sec(s)
INFO: Offices Comm
Ex Comm

See F 148-150

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

trans. s/c

FAO 148

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

[redacted]

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

655/103/Tn 3

21 August 1945

AUG 22 1945

Dear Mr. Ambassador:

I am seriously concerned by the fact that up to the present your Government has not yet reached an agreement with the Italian Government on the import of phosphate rock from North Africa and the export of Italian products to France during the year July 1945 to June 1946.

As you may well understand, this delay is gravely prejudicing the shipping position in the Mediterranean. The demands on the available shipping are so considerable, and the quantities involved in your negotiations are so great, that it is essential that a definite program be prepared.

It will be clear to you that such a program cannot be arranged until agreement has been finally reached between your Government and the Italians.

The Allied Shipping Authorities will not be in a position to provide the facilities needed to lift the heavy tonnage involved unless your negotiations can be completed at a very early date.

I need hardly add that any further delay would aggravate an already serious situation and hope therefore for your early advice that agreement has been reached.

I have written in similar terms to the Italian President of the Council of Ministers.

SEE 1145

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

H.E.
Comte de Murville
French Delegation
ROME.

cc: Commerce Sub-Commission
Industry Sub-Commission

CAPT ARNOLDY

20 4 1
PA
8/22/45

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

ACTION

B/U 2878

Noted

2055

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

655/102/Tn 3

16 August 1945

AUG 21 1945

Dear Professor Parri:

I am seriously disturbed by the the inability of your Government to reach, up to the present, an agreement with the French on the import of phosphate rock from North Africa and the export of Italian products to France during the year July 1945 to June 1946.

This delay is gravely prejudicing the shipping position in the Mediterranean. The demands on the available shipping are so considerable, and the quantities involved in your negotiations are so great, that it is essential that a definite program be prepared.

It will be clear to you that such a program cannot be arranged until agreement has been finally reached between your Government and the French.

The Allied Shipping Authorities may not be in a position to provide the facilities needed to lift the heavy tonnage involved unless your negotiations can be completed, and your decision communicated to the Allied Commission, not later than 25 August 1945.

I need hardly stress the grave consequences which would result from such a situation, and I now await advice from you that agreement has been reached.

I have written in identical terms to the French Ambassador.

Very truly yours,

Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio Parri
The President of the Council of Ministers
Italian Government
Rome

cc: Industry Sub-Commission
Commerce Sub-Commission

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

144

Tel: 735

Ref: 4410/144/EC. 11 July 1945.

SUBJECT: Authorization for French Nationals to enter ITALY.

TO : Civil Affairs Section (for Displaced Persons & Repat. S/O)

Attached hereto is letter from the Office of the French Representative, No.2.184 dated 9 July 1945. Will you please reply to this on behalf of the Chief Commissioner.

Chief Staff Officer,
Executive Commissioner.

Incl:
as above

(FURTHER ACTION AT
FOLIO 91 FILE 3608/EC)

2037

PA 12/7

2197

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

HEADQUARTERS ALLIED COMMISSION
AFO 394
ECONOMIC SECTION

(148)

EMC/emh

Ref. AC/S3E7/P/Commerce

10 July 1945

JUL 11 1945

My dear Mr. Ambassador,

Your letter of 5 July, No. 620, addressed to Admiral Stone, has been passed to me for action.

I am enclosing copy of a letter, dated 5 July, from which it will be seen that the question of the supply of 100,000 tons of pyrites has already been under consideration. Instructions have now been sent to the Ministry of Industry and Commerce that they should honor orders received from you to the extent of 100,000 tons.

In regard to the question of mercury, this is a matter for free negotiations between your representative and the Italian Government and it is understood that sufficient availability exists to fill the French requirements.

In view of the above, it is assumed that no obstacle now stands in the way of agreement being reached for supply of the 50,000 tons of phosphate rock allocated to Italy.

A request has been passed to the Italians by this Hqs. that prompt steps be taken to satisfy your aforementioned requirements in pyrites and mercury in order that the contract for phosphate rock may be concluded with a minimum of delay. This is important in view of the fact that it has been necessary to set up shipping for the month of August to lift this phosphate rock and wastage of any part of this shipping space should, as you will agree, be avoided at all costs.

Yours very truly,

ORIGINAL WITH G.C.

(sgd) E B. McKinley
E. B. McKinley
Brigadier General, USA
Acting Vice President,
Economic Section

H. E. Couve de Murville
French Delegation
Rome

cc: Chief Commissioner
Executive Commissioner 2038
Economic Section
Industry S/C (Chemicals Div)
British Embassy
American Embassy
AC/S203/1mp/Commerce

Enclosure

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

JUL 9 RECD

Translation

Temporary Government

French Delegation to
the Advisory Council for Italy

n. 628

Rome, 3 July 1945

JUL 9. 1945

Dear Admiral,

In your letter of June 13th, you kindly let me know that you considered there was no longer anything to prevent direct negotiations between France and Italy for the resumption of trade between both countries.

I acknowledge this communication, and I have the honour of confirming that, on its side, the French Government has no objection against beginning such negotiations.

On the other hand, the Foreign Trade Sub-Commission informed our Commercial Adviser that the Combined Boards have already allotted Italy for the period going from July 1st 1945 to June 30th 1946, a contingent of 500.000 tons phosphates. It insisted on the interest there was in promptly concluding the contract relative to this supply, this for shipping reasons.

The question was submitted to the French authorities in Paris, but in this occasion, I draw your attention on similar requests for supplies on the part of Italy, which were made to the French side, especially for 100.000 tons of pyrite and 150 tons of mercury, about which we shall be most happy if decisions can be made by competent authorities.

I remain, my dear Admiral,

Yours sincerely,

s. M. Couve de Murville

Admiral Stone
Chief Commissioner
A.C.

s/c
(CAPT ARNOLD)

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

4440

(138)

Ref: AG/5127/N/Commerce

HAG/eh

13 June 1945

JUN 1 1945

(135 & 137)

My dear Mr. Ambassador,

I am enclosing copies of correspondence with the Italian Government on the matter of Franco-Italian trade and consider that there is no longer any reason to delay direct negotiations between your Government and the Italian Government with a view to re-establishing trade between the two countries.

Yours very truly,

ELLERY W. STONE

Ellery W. Stone
Rear Admiral, USNR
Chief Commissioner

H. E. Couve de Murville
French Delegation
Rome

4 Enclosures

cc: AFHQ, G-5 Section
Mr. Livengood, American Embassy, Rome
Mr. Nosworthy, British Embassy, Rome
Chief Commissioner
Executive Commissioner
Economic Section
Finance Subcommission
Ministero degli Affari Esteri
Ministro per l'Industria, per il Commercio e per il Lavoro
French Representation, AC.

(Capt Hadley)

see M 140
203 1/2

2200

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

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

(137)

Ref: AC/5127/N/Commerce

HAG/eh

9 June 1945

SUBJECT: Foreign Trade Export Policy

TO : S. E. Giovanni Gronchi
Ministro per l'Industria, per il Commercio e per il Lavoro,
Rome

(101 Vol (1))

My dear Mr. Minister,

(124)

1. I refer to your letter of 17 May in regard to my letter of 18 April.

2. The various points raised in your note have now been the subject of discussions at a meeting between the General Director of Foreign Trade at your Ministry and the Foreign Trade Division of Allied Commission. The object of this note is to confirm our reply to such questions as needed clarification and to enable the Italian Government to proceed with its export trade negotiations without further delay and without the supervision of Allied Commission, except in so far as is required by the terms of my previous memorandum.

3. Export Surpluses. It has now been clarified that there was, in fact, no contliction between the statements contained in my letter of the 18th of April and those made in Admiral Stone's letter of the 20th of April concerning Franco-Italian trade. The position is that an export surplus should be agreed upon and declared by the Italian Government and the Allied authorities in this theater. The responsible Allied authorities in the theater would be the Allied Commission and, also, the Allied Forces Local Resources Board when any controlled or restricted materials are involved. The procedure normally would be for the Italian Government to inform the Allied Commission of the amount of any commodity which is surplus to Italian requirements and available for export. The Allied Commission would consult Allied Forces Local Resources Board when necessary, and, subsequently, comment to the Italian Government. Once the surplus for export has been agreed upon, the Italian Government would be free to trade the commodity abroad to the best advantage, provided the commodity is not in Category A. If, on the other hand, it is a Category A commodity, the Allied Commission would inform the Combined Civil Affairs Committee in Washington that the surplus was

2033

2201

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

(136)

available an ould request the Combined Boar in Washington to allocate this surplus to countries in need of sup ies.

4. Allocation of Category A Commodities. It is appreciated that the Italian Government desire to be consulted on the allocation of Category A commodities as far as possible, but it must be remembered that the lists of such commodities, communicated to you with my above mentioned memorandum, refer to supplies, not only from Italy, but from all the resources of the world available to the Allies. The reason for controlling these materials is, generally speaking, that the needs of the Allies are greater than the available supplies. Every country is, therefore, called upon to make its contribution to the limit of its capacity, and Italy is in no different a position than that of the United States and United Kingdom or any other Allied nation. When informing the Combined Civil Affairs Committee of exportable surpluses, we shall be prepared to forward at the same time any special recommendations for distribution you have which may act as a guidance for the Combined Boards.

5. Pricing of Category A Commodities. It is confirmed that Allied Commission will endeavor to obtain ceiling prices in the U.S. and U.K. for Category A commodities available for export from Italy. You have, also, raised verbally the point that there may be a difference in price offered by the countries to which allocation of a Category A commodity is made, and, in such a case, whether the Italian Government can request that the maximum price offered be taken as a basis for crediting the Italian Government in all receiving countries. Our opinion on this matter is that the situation would not often arise. Nevertheless, when it does and when the Italian Government is dissatisfied with the price obtained abroad for a Category A commodity, it might be appropriate in certain cases for the Italian Government to put forward the difference of price between the importing countries as an argument for adjustment, together with other considerations in the manner suggested in the third paragraph of heading J in my letter of 18 April.

6. Private Trading. The Italian Government's reciprocal interest in reactivation of private trading is noted with pleasure and a beginning has already been made with exploratory discussions to this end. In confirmation of these discussions, I await from you at an early moment a memorandum describing the manner in which you propose to conduct and control such trading.

(Sgd) AGA

A. G. Antolini
Acting Vice President
Economic Section

cc: H. E. Couve de Murville, French Delegation, Rome
AMF, G-5 Section
Mr. Livengood, American Embassy, Rome
Mr. Hoswerthy, British Embassy, Rome
Chief Commissioner
Executive Commissioner
Economic Section
Finance Subcommission

2032

Ministero degli Affari Esteri

[redacted]

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

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

(135)

Ref: AC/5127/A/Commerce

HG/eh
9 June 1945

SUBJECT: Trade between Italy and France

TO : S. E. Giovanni Gronchi
Ministro per l'Industria, per il Commercio e per il Lavoro, Roma

(124)

My dear Mr. Minister,

1. I thank you for your letter of the 17th of May addressed to Admiral Stone.

2. In confirmation of the discussions held between representatives of your General Director of Foreign Trade and the Foreign Trade Division of Allied Commission, I have written you a separate letter on the subject of Italian exports in reply to your letter on the same subject, dated 17 May, and attached to your above mentioned note to Admiral Stone. I am sending a copy of your above mentioned letter and a copy of this reply to the French Delegation, informing them that negotiations should now be made directly with the Italian Government and that the Allied Commission will not act as intermediary, except in so far as is necessary under the terms of the directives contained in my letter of the 18th of April on general export trading pdicy and my letter, dated 1 June, on imports from additional countries.

3. I take the opportunity of confirming, also, the fact that it will be necessary for your negotiations to be conducted with the French Delegation, Rome, which has been empowered to act on behalf of the French Government. It is appropriate, also, that you should discuss with the French the further question raised in your letter, namely, whether all trading is to be conducted with the French Government itself or with private French firms. We consider, nevertheless, that the progress now being made in our discussions on private trading generally should provide an answer to this question in the near future.

4. You have in your letter made further reference to the Allied Commission's request to be kept informed of the progress of negotiations. This request must be read in conjunction with the directives contained in the letters referred to in paragraph 2

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

(134)

above. These two communications make quite clear the matters on which the Allied Commission would require to be consulted before conclusion of any negotiations with another countries. Any other reports of progress made to this Commission by the Italian Government would be for information only and would not necessitate suspension of negotiations pending agreement of this Commission.

(571) A64

A. G. Antolini
Acting Vice President
Economic Section

cc: H. E. Couve de Murville, French Delegation, Rome
AFHQ, G-5 Section
Mr. Livengood, American Embassy, Rome
Mr. Norworthy, British Embassy, Rome
Chief Commissioner
Executive Commissioner
Economic Section
Finance Subcommission
Ministero degli Affari Esteri

2033

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(133)

PARIS TRIPARTITE ECONOMIC COMMITTEE

Minutes of Meeting No. 10 held on 17th April, 1945, at 11 a.m.

PRESENT:

JUN 1 1945

French Representatives	American Representatives	British Representatives
Messieurs Parodi	Messrs. Little	Messrs. Cadbury
de Clermont-Tonnerre	MacChesney	Crossley
Brouin		Tyrdham White
Felix		
Frecaut		
Frechet		
de Fouchier		
Mlle. Gauguie		
Messieurs Igaret		
Jordan		
Marjolin		
Mauriel		
Toussaint		
de la Taille		
Vaillon		
Zuoco		

112. MINUTES OF MEETING OF 16TH MARCH

The minutes of the meeting of the 16th March were approved subject to the following amendments.-

(a) At the end of the penultimate paragraph of 103(b), after "certain purchases to private channels" add.-

"In any event the French Provisional Government wished to be able to keep its liberty of action. The French representatives enquired further whether the measure envisaged was not also intended to deprive Neutrals of goods, the purchase of which the Allies might reserve for themselves."

(b) At the end of paragraph 103(c) add:-

"The French representatives stated that the text of this agreement had not reached Paris and that it would be requested by telegram to M. Lefort."

2023

113. BRAZIL

(a) French Purchases of Piezo Electrical Quartz - Reference Minute 81(a)

The French representatives circulated a note (see Appendix "A") explaining their requirements of Piezo Electrical Quartz and the steps taken in an attempt to meet those requirements from Brazil. The French

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Prechet
Frechet
de Fononier
Mlle. Genguie
Messieurs Igaret
Jordan
Marjolin
Mentzel
Toussaint
de la Taille
adilon
Zucco

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2023

(a) French Purchases of Piezo Electrical Quartz - Reference Minute 81(a)

The French representatives circulated a note (see Appendix "A") explaining their requirements of Piezo Electrical Quartz and the steps taken in an attempt to meet those requirements from Brazil. The French representatives enquired how their projected purchases from Brazil could best be co-ordinated with those of the UK and the US.

The British representatives stated that it had proved difficult to obtain adequate supplies of Piezo Electrical Quartz from Brazil, and it was thus regrettable that there should be additional demands on the market. They reminded the meeting of (a) a recommendation which had been made to the French Supply Council in London that they should attempt to obtain 1500 kilos from the USA, and (b) a further recommendation which had been made in a letter dated 10th February from Mr. Gridley to Monsieur Alphand that the Madagascan availabilities of this commodity should be exploited to the fullest extent possible.

/The

(CAPT. PENROSE)

see M 139

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The French representatives stated that they had already received a reply in connection with the first of these recommendations, which was to the effect that the USA were unable to supply. With regard to the second recommendation they stated that only 200 kilos were at present available and it was to be expected that a considerable time would elapse before further quantities could be produced. They undertook, however, to study the Madagascan possibilities as a matter of urgency.

The British representativesundertook to request London to give the advice requested by the French representatives as to the best manner in which to assure co-ordination of such purchases as had to be made in Brazil.

(b) Textiles for FNA - Reference Minute 95

The French representatives stated that they had now taken up the second option and had received assurances that the full quantity of 60,000,000 yards covered by the two options would be delivered before the end of March 1946. An expert had left for Washington a week ago to sign the contracts which were now being concluded.

They added that they had refused a Brazilian offer of 50,000,000 lbs. of cotton yarn for manufacture into textiles in Spain.

With regard to shipment possibilities for the textiles they stated that as regarded the immediate future two vessels had been allocated for France from South American during May and five would probably be similarly allocated during June. It was not anticipated that there would be any difficulty in arranging the carriage on these vessels of any part of the 60,000,000 yards available in time.

114. PORTUGAL

Control of Private Purchases in Portugal - Reference Minute 103(b)

With reference to the questions raised by the French representatives at the previous meeting (Minute 103(b)), the Anglo-American representatives stated that they had now been informed by Washington and London that their respective Governments were in full agreement with the Paris view that a utilisation of navicerts and certificates of origin to control private purchases was neither necessary or desirable. Washington and London felt like Paris that the existing arrangements for the control of purchases through Combined Board allocations and through direct negotiations with the Governments concerned, requesting undertakings in return for supplies allocated, covered Allied requirements adequately and that moreover it would not be justifiable to use blockade controls for supply purposes.

It was noted that this decision had been similarly recorded in Minute No. 4 of the 8th Meeting of the Lisbon Tripartite Economic Committee held on the 22nd March.

115. FRENCH NORTH AFRICA

(a) Phosphate Rock

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

(c) Textiles for FNA - Reference Minute 95

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115. FRENCH NORTH AFRICA

(a) Phosphate Rock

(i) General

The French representatives stated that according to telegrams which they had received from Lisbon and Madrid, the Allied Economic Missions in Algiers had decided that the greater part of Portuguese and Spanish liftings of phosphate rock from French North Africa should be diverted from Morocco to Tunisia on account of the shortage of supplies in Morocco. This shortage resulted chiefly from the inadequacy and low quality of the coal imported from the UK for the drying and movement of the phosphate rock in Morocco.

The French representatives considered it unjustifiable that almost the entire Moroccan availability should be reserved in this way for the

/requirements

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requirements of the UK, particularly since, as stated above, the difficulties arose mainly out of the failure of the UK to provide satisfactory coal imports for FNA and especially at a time when deliveries to France were totally inadequate and when there were pressing reasons why Moroccan rock should be delivered to the Iberian Peninsula and to other countries.

In amplification of the above remarks they explained that while a satisfactory allocation of 400,000 tons of phosphate rock had been obtained for France against the "Eight Months Import Programme" deliveries to date against that allocation had amounted to only 11,000 tons. Further deliveries scheduled for Rouen/Havre at the monthly rate of about 17,000 tons during April, May, June and July would permit the arrival in France of some 122,000 tons before the end of July. The French shipping authorities had also made a formal request to the British Ministry of War Transport for tonnage to carry a further 50,000 tons during the same period.

They reminded the meeting that as against the 11,000 tons so far delivered to France, 60,000tons had been shipped to Italy since the beginning of 1945. Monsieur Leroy Beaulieu was protesting about this situation in Washington and it was understood that the Fertiliser Committee of the Combined Boards would support the French request for the allocation of tonnage which they had requested. It was essential that this tonnage should be provided if the coming French crops were not to suffer disastrous results.

With regard to Portugal, the French representatives explained that owing to the inability of the MWT and of the USA to provide tonnage for the shipment of any part of the 50,000 tons of cereals from Lisbon to FNA (see Minute 115(b)(iii) below) they were hoping to arrange for almost half of the total quantity to be carried on Portuguese vessels. As return cargoes these vessels would require Moroccan phosphate rock for Portugal. As regards Spain, a balance of some 30,000 tons remained to be shipped against the commitment undertaken for deliveries as from the 31st March, 1945, and it was essential that a part of these deliveries should be in Moroccan rock. It was not to be expected that either the Portuguese or the Spaniards would agree to send any great proportion of their vessels over the longer distance to Tunisia. There were indeed already indications that the Portuguese would not be willing to take more than one-third of their total liftings from Tunisia.

In conclusion, the French representatives stressed (a) that it was essential that all possible steps be taken to improve the coal situation in French North Africa (they suggested that it might be possible for South Africa, which was receiving phosphate rock from French North Africa, to supply coal in return), and (b) that it was of the utmost desirability that some proportion of the UK liftings of phosphate rock should be taken from Tunisia.

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The Anglo-American representatives stated that their respective missions in Algiers had repeatedly reported very fully to London and Washington on the extremely serious coal situation in French North africa and this problem had been given and was being given careful consideration in London. They reminded the French representatives of the world wide coal difficulties but undertook to report the views expressed above to London and Washington with a repetition of the Algiers urgings that all possible be done to ameliorate the coal situation in FNA.

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[illegible] request to the British Ministry of War Transport for tonnage to carry a further 50,000 tons during the same period.

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With regard to the proposed neutral liftings from Tunisia as opposed to Morocco the British representatives reminded the French representatives that any decision reached in Algiers on this subject would be a Tripartite decision destined to implement in the best manner possible the Combined Board allocations and would not be taken independently by the British and American missions. They added that it would probably be difficult for the United Kingdom to take phosphate rock from Sfax (a) for convoy reasons, (b) because of the inability of Sfax to receive deep draft vessels and (c) because it would be difficult for the British superphosphate industry to absorb low grade rock, since all the rock treated throughout the war had been of high

/grade

grade from Florida and Morocco. They undertook, however, to express the French views on this subject to London and request guidance.

(ii) Phosphate Rock for Greece - Reference Minute 107(b)

With reference to the questions raised by the French representatives at the previous meeting (Minute 107(b)) the British representatives stated that the 3,000 tons of rock for Greece had been purchased by the Ministry of Supply on behalf of the War Office. The price had been agreed between the Ministry of Supply and a representative of the Comptoir des Phosphates de l'Afrique du Nord and payment was to be in sterling. It was understood that the negotiations could now be regarded as concluded and that the first cargo was now being loaded.

(iii) Phosphate Rock for Sweden

The French representatives stated that as a result of commercial negotiations which were in process between France and Sweden it was to be expected that Sweden would request deliveries of 100,000 tons of phosphate rock from French North Africa over a period of twelve months as from the present time. Sweden's present allocation only amounted to 10,000 tons. The British and American representatives undertook to inform London and Washington of this but pointed out that any proposed increase in allocations for Sweden would have to be submitted through the appropriate USA and UK agencies to the Combined Fertiliser Committee on which the French were represented and where they could therefore make known their point of view.

(b) Cereals - Reference Minute 107(c)

(i) Deliveries from North America

It was noted that four vessels had been programmed to carry cereals from North America to FNA during March. Two vessels had arrived unexpectedly in Algiers, having been diverted by Medbo from Southern France. Two vessels had subsequently, however, been diverted in turn to the South of France and it was not clear where these had originally been intended to discharge. The American representatives stated that they were requesting Washington for clarification on this point. It was further understood that 7 vessels would carry cereals from the USA to FNA during April (4 with USA wheat and 3 with Canadian) with a possible eighth, while 8 further vessels were scheduled for May loadings.

(ii) 50,000 tons from Lisbon

The French representatives stated that a contract had now been signed in Berne for the purchase from the Swiss of the 50,000 tons of cereals stocked in Lisbon. The contract had been signed on the basis of Bill of Lading weights USA and it was thus to be feared that the contract would not in fact represent a full delivery of 50,000 tons from Lisbon. Moreover, the total landed cost was expected to be 60 per cent. higher than that of the wheat from the USA.

They hoped to be able to carry 6,000 tons in bags and were attempting

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They hoped to be able to carry 6,000 tons in bags and were attempting to obtain the 62,000 bags which would be required either for shipment from the UK or for cession from UKCC stocks in Lisbon. This 6,000 tons would then be loaded with about 21,000 tons in bulk on five French vessels scheduled to load in Lisbon between the 20th April and the 1st May. They were hoping to arrange for the rest of the 50,000 tons to be carried on Portuguese tonnage and had so far been able to charter Portuguese vessels for 12,000 tons.

The French representatives had no information concerning the 5,000 tons of cereals understood to be stocked in Lisbon under Irish ownership, in connection with which the French Supply Council in London had been advised to get in touch with the Irish authorities.

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(iii, Deliveries from the Argentine

With reference to thelast paragraph of Minute 107(c), the American representatives stated that they had now been advised by Washington that it was unlikely that any Argentinian shipping would be available to lift this wheat. The American representatives added, however, that it was now possible for U.S. vessels to enter Argentinian ports and that it might thus be possible in the future to arrange for any Argentinian availability to be lifted by the U.S.A.

(iv) Barley from Irak

It was noted that 8,300 tons of barley from Irak has reached Tunisia and was expected to be completely discharged by April 15th.

(v) FNA Crop Prospects

The French representatives stated that it was not yet possible to estimate with any precision the proportions of the coming crops which would be particularly affected by any rain during the coming weeks. At the present time it appeared, however, that these prospects were discouraging, and that indigenous production would suffice to meet the requirements of Morocco only up to the end of November, 1945, and of Algiers up to the end of December, 1945. The Tunisian prospects were slightly better but it was obviously to be expected that substantial imports would have to be requested for French North Africa for 1946 requirements. The American representatives urged that these requirements should be notified to Washington as soon as possible. The French representatives replied that they expected to be able to present a note on the situation in about two or four weeks' time.

116. TURKEY

Re-sale Price of Pre-emptively Purchased Goods - Reference Minute 104

The French representatives acknowledged receipt of a communication of the 28th March from the British Embassy confirming that this question should be investigated by the French Supply Council in London.

They added that the French and British representatives in Angora were meeting opposition from the Turks to the loading of chrome ore under these arrangements. It was agreed that this question also should be followed up by the French Supply Council in London.

117. BELGIUM

Franco-Belgian Trade Exchanges

The British representatives enquiried with regard to a Press statement of exchanges between France and Belgium in the first quarter of 1945 whether it would be possible for regular information to be given as to this trade.

The French representatives stated that information as to imports from

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

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The French representatives stated that information as to imports from Belgium was already being provided to the Four-Party Committee as part of the overall picture of overland imports into France.

G.C/ERS/455
24th April, 1945

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APPENDIX "A"

NOTE FOR THE PRIME MINISTER ECONOMIC COMMITTEE

Purchase of Piezo Electrical Quartz in Brazil

For the manufacture of radio transmitters for vehicles provided for under the Re-armament programme we require 250.000 crystals of Piezo Electrical Quartz within a maximum period of four months.

At the present time we have available only 15,000 crystals (211 kilos) provided by the Ministry of Supply.

The Societe Francaise Radio-Electrique, which is manufacturing the radio transmitters, has effected some enquiries in Brazil through the intermediary of one of its affiliated companies. The following results have been obtained.

1. La Companhia Radiotelegraphica Brasileira offers 210 kilos of crude quartz at the price of 7,000 dollars.

2. The same Company proposes 100,000 rough hewn crystals at 20 cruzeros per unit.

3. We have under way an order for 25,000 rough hewn crystals at 25 cruzeros per unit which would be placed by the Commercial Department of the French Embassy in Brazil with the Societe Radio Cristais de Bresil.

4. The negotiation for the supply of 180 kilos of crude quartz at 5.500 francs per kilo has been concluded with the Societe France-Bresil.

Even if the four above projects can be completely carried out we shall still have to import about 2 tons of crude quartz.

We would like to know what practical arrangements are to be made in order to ensure that our purchases under way or proposed may be made in close liaison with the British commercial services in Brazil and in order that these services might help us in the conclusion of further negotiations destined to cover the balance of our needs.

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Tel. 460

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION
SUPPLY DIVISION

TDM/bd

Ref. 10.04

4 June 1945

SUBJECT: Import of Rock Phosphate from North Africa

TO : Office of Executive Commissioner

1. Reference your inter-office memorandum 4410/126/EC, 30 May 1945.

2. Very little can be added on above-mentioned subject to our letter AC/5201/2/Commerce, 18 May 1945, copy to you.

3. Arrangements have been completed for shipment of the 24,100 ton balance to be shipped by 30 June.

4. The question of future supplies is still to be settled. Information on requests for future imports is being passed to the French Embassy in Rome for action.

T. D. Morgan - Col
for
CHARLES W. WALTON
Colonel
Deputy Chief

see M129
2028

(Capt. Arnold)

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

(12811)

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

Tel: 245 18 May 1945

Ref: AC/5201/2/Commerce.

Subject : Rock Phosphate.

To : AFHQ G-5

1. Reference is made to your letter E-6 of the 5th of May subject, "Trade between Italy and France" and to Economic Section letter reference AC/5201/2 COMMERCE dated the 12th of May.

2. In accordance with your request we give you below the latest situation regarding the rock phosphate question. Mr. Verde Delisle arrived in Rome from Algiers some four days ago. He is the delegate who was appointed to discuss the price and other problems connected with this matter. On the 16th of May the meeting was held at the Ministry of Industry, Commerce and Labor at which were present :

The French representatives
Representatives of the Ministry of Industry, Commerce and Labor
Representatives of I.C.E.
Representatives of Montecatini
Representatives of various Federazioni and Consorzi

Major Green was also present representing ALCOM.

3. Two main points had to be decided. The French stated that the increased prices had come into force the 1st of January '45 and that therefore shipments made between the 1st of January '45 and the 30th of April would have to be at the new prices. Italian agreement on this point had to be obtained officially. The second point to be arranged dealt with the quantity still to be shipped out of the original allocation of 100,000 tons dating from September last year. On this latter point the French records show the following :

100,000 tons	allocated to Italy by Washington
36,500 tons	shipped up to the 31st of Dec. '44
63,500 tons	balance
39,400 tons	shipped between 1st of Jan. and 30 Apr '45
24, 100 tons	balance to be shipped by the 30 June '45.

4. At the meeting of the 16th of May agreement was reached between the French and the Italians on both these points and it was arranged for the contract to be signed at this Headquarters on the 17th of May. The contract

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

was prepared by the French, and in order to cover the two points mentioned above was made out as for 63,500 tons at the new prices with the following clause inserted :

"Il est precise que les tonnages qui ont ete charge depuis le ler Janvier 1945 sont a suppliquer sur les 63,500 tonnes du present marche. "

which in effect gives 24,500 tons to be shipped by the 30th of June.

5. It will be noted that Bordoni signed for the Italians under the stamp of the I.C.E. As the Decree confirming the authority f the I.C.E. has not yet been published this difficulty was solved by a letter of authority from the Minister to Bordoni, which was satisfactory to the French representatives.

6. For your information a copy of the contract is enclosed but it is requested that this should be returned to this Sub-Commission as it is the only copy held by this Headquarters.

7. There remain still to decide the question of future supplies. The Italians quite naturally talk in terms of 500,000 tons minimum but it has been explained to them that this figure over twelve months is far in excess of what it is expected Washington can allocate. Therefore, a reasoned request it to be prepared by the Italian Government based upon existing facilities in Italian Government territory and available knowledge of port and manufacturing facilities in the North. It is then proposed to submit this request to the French who will in turn submit to Washington for allocation and who will notify the Italian Government of the price required. When agreement is reached a fresh contract will then be signed.

8. This is the complete situation as at present and you will be kept advised of any future developments.

For the Chief Commissioner :

CC : Executive Commissioner
Economic Section
Industry S/C
Transportation S/C
Food S/C
Finance S/C

E.B. McKINLEY
Brigadier General U.S.A.
Acting Vice-President
Economic Section

Enclosure (1)

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

(12)

ALLIED [redacted] COMMISSION

ABV/sem

INTER-OFFICE MEMORANDUM

Office of the Executive Commissioner

FILE No. 4410/126/30

SUBJECT: Import of Rock Phosphate from North Africa. 30 May 194 5

TO : Economic Section

1. It would be appreciated if the Executive Commissioner's Office were informed what has been the final action with reference to the import of rock phosphate from North Africa.

2. It is understood that M. Verde Delisle, delegate of Institute of Phosphate, has visited your Section in connection with this question. 2023

Chief Staff Officer
To Executive Commissioner

Noted

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

4410 J

E. C.

Translati

Ministry of Industry Commerce and Labour

Ge. Dir. Foreign Trade
Serv. Trattati-Div. I
n. 1459
Encl. 2

May 17th, 1945

To Rear-Admiral Kllery W. Stone
Allied Commission
R o m e

(answer to AC/5127/F/Commerce)

SUBJECT: Italo-French trade

(15 MAY 9 1 RECD

The President of the Council foawarded to me your letter AC/5127/F/Commerce, of April 20th, with the enclosed memorandum, to examine its content, which in of the competence of my Ministry, and to have further discussions about the question relative to Italo-French trade with the Vice-President of the Economic Section of the Allied Commission, as you wished.

Thanking you for the kind informations you gave me in the above mentioned note, following our previous correspondence on this subject, I enclose a memorandum, explaining the Italian point of view about the question.

THE MINISTER

s. Craonchi

pp 135

EC List - 21 May 45

O.G.

ACTION - ECON SEC 127
INFO - CHIEF COMM
EXEC COMM 20221

MIR 9/27

*/ (CAPT ARNOLDY)

Translation

Gen. Dir. of Foreign Trade
Serv. Trattati-Div. I

Memorandum

(ref. memorandum enclosed to letter AC/2127/I Commerce)

1. 2. 3. 4. 5. 7 - The Italian side recognized that it must refer to the 'new regulation of exports', contained in letter AC/2127/A/Commerce, of April 18th, of the Vice President of the Economic Section of the Allied Commission, Mr. Antolini, according to which many questions explained in the former Italian memorandum relative to Italo-French foreign trade would be cleared by the above mentioned letter of Mr. Antolini.

The content of this letter has been carefully examined by the Italian side to find the repercussions of the new regulation on foreign trade and on Italian economy in general. The result of this examination ~~as well~~ as well as Italian wishes a propos of the new discipline of exports, particularly in view of the new situation which has been determined by the end of the war in Europe, have been the subject of a letter of H. E. the Minister for Industry, Commerce and Labour to the Vice-President of the Economic Section of the Allied Commission, letter of which we enclose a copy.

In particular, we think it advisable to draw your attention on what has been observed a propos of the ascertainment of the exportable surplus as from part one and two of para. 1, 2, and 3 (marketing) of the letter of H. Ex. Bronchi, that we enclose, a propos of the difference on this subject between the statement contained in the memorandum enclosed in Admiral Stone's letter of April 20th, and what is mentioned in 3) of the letter of Mr. Antolini of April 18th.

6 - The Italian side recognizes the wish expressed by the French Government for all negotiations with Italy to take place through the French Delegation in Rome, and confirms its full agreement on this principle. It is to be noticed, however, that on the side of the Allied Commission, it hasn't been specified whether the trading operations to be done in execution of possible agreements between the Italian Government and the French Government may actually be negotiated with private French firms, or whether they must be reserved to the French Government.

8 - The Italian side recognizes the statement confirming that the ~~observations~~ 2021 made by the Allied Commission in the memorandum of February 9th do not exclude the possibility of establishing a clearing between Italy and France, and that, in this case, this question has to be discussed by the competent Italian and French Authorities.

It must be noticed that no mention is made of the Italian observations contained in 27 of the memorandum enclosed in the letter of H. E. Bonomi to Rear-Admiral Stone, on March 27th, a propos of the request of the Allied

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

of April 18th, of the Vice President of the Economic Section of the Allied Commission, Mr. Antolini, according to which many questions explained in the former Italian memorandum relative to Italo-French foreign trade would be cleared by the above mentioned letter of Mr. Antolini.

The content of this letter has been carefully examined by the Italian side to find the repercussions of the new regulations on foreign trade and on Italian economy in general. The result of this examination as well as Italian wishes a propos of the new discipline of exports, particularly in view of the new situation which has been determined by the end of the war in Europe, have been the subject of a letter of H. E. the Minister for Industry, Commerce and Labour to the Vice-President of the Economic Section of the Allied Commission, letter of which we enclose a copy.

In particular, we think it advisable to draw your attention on what has been observed a propos of the ascertainment of the exportable surplus as from part one and two of para. 1, 2, and 3 (marketing) of the letter of H. Ex. Bronchi, that we enclose, a propos of the difference on this subject between the statement contained in the memorandum enclosed in Admiral Stone's letter of April 20th, and what is mentioned in 3) of the letter of Mr. Antolini of April 18th.

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8 - The Italian side recognizes the statement confirming that the observations made by the Allied Commission in the memorandum of February 9th do not exclude the possibility of establishing a clearing between Italy and France, and that, in this case, this question has to be discussed by the competent Italian and French Authorities.

It must be noticed that no mention is made of the Italian observations contained in 27 of the memorandum enclosed in the letter of H. E. Bonomi to Rear-Admiral Stone, on March 27th, a propos of the request of the Allied Commission to be informed about the progress of the commercial negotiations, and to receive periodical reports from the Italian Government on the state of the trading and exchange relations between Italy and France. On this subject, the Italian side trusts that the Allied Commission will have taken in consideration the observations expressed in the above mentioned memorandum.

Enclosure 1

e.c.

2021

Declassified E.O. 12356 Section 3.3/NND No. 787513

Translation

May 17 1945

Gen. Dir. Foreign Trade
Serv. Trattati-Div. I

To Mr. A.C. ANTOLINI
Allied Commission
Economic Section
Rome

Subject: Exports regulations

The content of the note from the Allied Commission - Economic Section - AC/5127/E/Commerce of April 18th, relative to the new regulations on Italian exports has been carefully examined.

The Italian side is pleased to acknowledge the statement that 'the object of this regulation is to re-establish foreign trade between private persons', and expresses its thanks for the decision of transferring as soon as possible to the Italian Government the task of locating all the wares to be exported as well as that of fixing their prices.

However, we deem it necessary to express some observations on the content of the above mentioned note, to clear up the sense of a few points, as well as to stress the importance and repercussions of the new regulation on foreign trade and Italian economy in general.

N. 1. 2. & 3. (marketing) - First of all, it seems it would be advisable to clear up whether the exportable surplus of the wares of category A must be established by the Italian Authorities in agreement with the Allied ones, as from the Memorandum enclosed in letter AC/5127/E/Commerce of April 20th, sent by Admiral Stone to H. E. Bonomi, or by the Allied Authorities as it would instead appear from the note of April 18th, that we mentioned before. As a matter of fact, it is said in this last letter: 'These wares (i.e. those of category A) must be sold on the markets and to the amount which will be determined by the 'Combined Boards'or by other competent Allied Agencies', while instead, in the memorandum enclosed in Admiral Stone's letter to H.E. Bonomi, it is said in 4) that : 'the exportable surplus of these wares must be declared and decided by the Italian Government and the Allied Authorities before the export can take place'.

2020

It seems not only advisable but necessary to adopt this first procedure, for the determination of the exportable surplus depends for one thing on the estimation of the requirements of interior economy, and for the other, on the plan for exchanges with Allied Countries and with neutral Countries to which the said wares will be exported. It is therefore to be wished that an examination of this kind, which includes considerations relative to Italian interior economy, and to the relations of Italy with foreign countries, should be made by the Italian Government, in collaboration with the Allied Authorities.

For what concerns the lists of the wares included in category A) we must first say, generally speaking, that they seem to have been made in consideration of the supplies with reference to all the various markets, and not in view of the direct relations with Italy. As a matter of fact, the lists

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of April 18th, relative to the new regulation on Italian exports has been carefully examined.

The Italian side is pleased to acknowledge the statement that 'the object of this regulation is to re-establish foreign trade between private persons', and expresses its thanks for the decision of transferring as soon as possible to the Italian Government the task of locating all the wares to be exported as well as that of fixing their prices.

However, we deem it necessary to express some observations on the content of the above mentioned note, to clear up the sense of a few points, as well as to stress the importance and repercussions of the new regulation on foreign trade and Italian economy in general.

N. 1. 2. & 3. (marketing) - First of all, it seems it would be advisable to clear up whether the exportable surplus of the wares of category A must be established by the Italian Authorities in agreement with the Allied ones, as from the memorandum enclosed in letter AC/5127/3/Commerce of April 20th, sent by Admiral Stone to H. E. Bonomi, or by the Allied Authorities as it would instead appear from the note of April 18th, that we mentioned before. As a matter of fact, it is said in this last letter: 'These wares (i.e. those of category A) must be sold on the markets and to the amount which will be determined by the 'Combined Boards'or by other competent Allied Agencies', while instead, in the memorandum enclosed in Admiral Stone's letter to H.E. Bonomi, it is said in 4) that : 'the exportable surplus of these wares must be declared and decided by the Italian Government and the Allied Authorities before the export can take place'.

2023

It seems not only advisable but necessary to adopt this first procedure, for the determination of the exportable surplus depends for one thing on the estimation of the requirements of interior economy, and for the other, on the plan for exchanges with Allied Countries and with neutral Countries to which the said wares will be exported. It is therefore to be wished that an examination of this kind, which includes considerations relative to Italian interior economy, and to the relations of Italy with foreign countries, should be made by the Italian Government, in collaboration with the Allied Authorities.

For what concerns the lists of the wares included in category A) we must first say, generally speaking, that they seem to have been made in consideration of the supplies with reference to all the various markets, and not in view of the direct relations with Italy. As a matter of fact, the lists include also wares which are not produced in Italy (tea, cocoa, rubber, spices, etc.) and goods of which Italy has very little considering her interior requirements, (corn, grease, and oils, meat, sugar, skins, shoes, steam-engines, electric material, etc.) and of which some form the main part of the supplies destined by the Allies to Italy for the chief requirements of the population.

Considering this, we believe that the enforcement of the regulation on the goods of the said lists, for what concerns Italy, must take place taking in consideration the real requirements and the present conditions of Italian economy.

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For some typical Italian products, which have a fundamental importance for export (lemons, oranges, some kind of dried fruit, essential oils, tomato preserves, seeds, citric acid and tartaric acid, hemp, silk, tanning material, pyrites, textiles, etc...) we must particularly emphasize the opportunity of allowing the Italian Authorities a certain facility of action for what concerns the determination of the exportable amounts, and above all in view of the possibility of constituting the necessary counterparts for import, to maintain the traditional relations with the foreign clients and thus make possible a more normal resumption of exchanges with other countries. It is obvious that this resumption would be seriously hampered if the greatest part of the above mentioned products were not left at the free disposal of the Italian Authorities, (as for inst. hemp, silk, oranges, lemons, etc..) this without mentioning the question of prices for the ceding of the goods.

On the other hand, the hope that the Allied Commission will take in consideration the new situation determined by the ending of the hostilities in Italy, and all over the European continent, seems well founded; because of the new situation, the present requirements are to be considered as being quite different from the ones which might justify such a rigid regulating of the Italian exports, as foreseen by the note of April 18th.

N. 3 (pricing)- 1st para - The Italian side believes that this point may be interpreted as follows: 'In case it wouldn't be possible to agree on the price, the Italian Government will get a price not inferior to the maximum price being paid on the importing market, or, should this be lacking, the normal sale price in the foreign market besides all subsidy elements and all the price-completions which these products or similar products get on the foreign market, less the expenses.'

On the basis of this drafting, and in relation with the determination of the above mentioned prices, the allied side ought to inform the Italian Authorities, for what concerns, England, the United States of America and Canada at least, (and if possible, for the other Countries of the United Nations, where Italian products are exported) about the wares that have a 'ceiling price' and which are the maximum prices in force, as well as the successive variations, so that the Italian side may have precise information about this important matter.

N. 3 (pricing) - 2nd para - While we appreciate the possibility offered to the Italian Government to ask the Allied Commission to take in consideration an adjustment of price on the part of the foreign buyer, we trust that in the said circumstances, the Commission itself will give its efficacious and much valued contribution for this balancing of prices to be realized, and to avoid, as far as possible, sacrifices on the profits of the exports, which couldn't be borne by Italy's economy in its present depressed condition.

2013

N. 4. - For what concerns the principle suggested by the Allied Commission of avoiding, as a general line of conduct, - except in the case that special war-time conditions should require it to be otherwise - offering wares abroad when the price that can be obtained on a foreign market is inferior to the

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It is obvious that this resumption would be seriously hampered if the greatest part of the above mentioned products were not freely at the free disposal of the Italian authorities, (as for inst. hemp, silk, oranges, lemons, etc..) this without mentioning the question of prices for the coding of the products.

On the other hand, the hope that the Allied Commission will take in consideration the new situation determined by the ending of the hostilities in Italy, and all over the European continent, seems well founded. Because of the new situation, the present requirements are to be considered as being not quite different from the ones as it might justify such a strict regulating of the Italian exports, as foreseen by the note of April 18th.

N. 3 (pricing) - 1st part - The Italian side believes that this point may be interpreted as follows. In case it wouldn't be possible to agree on the price, the Italian Government will get a price not inferior to the average price being paid on the importing market, or, should this be lacking, the normal sale price in the foreign market besides all already due duty and all the price-completions which these products or similar products get on the foreign market, less the expenses.

On the basis of this drafting, and in relation with the determination of the above mentioned prices, the Allied side might to inform the Italian authorities, for what concerns England, the United States of America and Canada at least, (and if possible, for the other countries of the United Nations, where Italian products are exported) about the means they have to "selling prices" and which are the maximum prices in force, as well as the eventual variations, so that the Italian side may have precise information about this important matter.

N. 3 (pricing) - 2nd part - This to guarantee the possibility offered to the Italian Government to ask the Allied commission to take in consideration an adjustment of price on the part of the foreign buyer, in case that in the said circumstances, the commission itself will give its otherwise and much valued contribution for this intervention of prices to be exercised, and to avoid, as far as possible, sacrifices on the profits of the exports, which couldn't be borne by Italyes economy in its present depressed condition.

2613

N. 4. - For what concerns the principle suggested by the Allied commission of avoiding, as a general line of conduct, - except in the case that special war-time conditions should require it to be observed - a bilateral means should when the price that can be obtained on a foreign market is inferior to the purchasing price in lire, plus the transport and also a revenue, we must point out that the said principle answers to the very interests of Italian economy; the action of the government will therefore take place in this sense. To this end, we also rely on the much appreciated collaboration of the Allied commission However, in the present circumstances, the difference which exists between Italian interior prices and the international ones, expressed in the parity fixed between the lire and the $ and respectively the £ might lead to the consequence that some exports could be practically impossible to achieve, if it be over rigidly to resort on the foreign market a profit and inferior to the price which can be obtained in the Italian one. It is therefore to be noted that in this matter, the special conditions of the present moment will be taken in consideration, to allow a genuine compensation besides to the

Italian Authorities in answer to the requirements of the economy of the country, and, particularly, to the need for forming the counterparts required for the huge mass of imports to be made.

N. 5 - Recognizing the decision expressed by the Allied Commission of transferring as soon as possible to the Italian Government the task of locating the goods to export, and of fixing their prices, we express the wish for such a transfer to take place as soon as possible,

On this subject, the Italian side is ready to examine the possibility of agreements to allow the representatives of the buyers abroad to deal directly with the Italian producers or exporters; but, on the other hand, we would like such a possibility to be given to the representatives abroad of the Italian exporters, to negotiate directly with foreign buyers.

N. 6 - Doubtless, a rapid resumption of trade among private persons would be of great interest; to this end, the Italian side is ready to start at once discussions with the Allied Commissionto make it possible to make the necessary modifications to the present procedure of exchanges with foreign countries. We expect ananswer on this subject.

For what concerns the offer of services which, as there are no new agreements with the United Nations, and as long as private trade hasn't been reestablished between Italy and the other countries, is being made by the 'United States Commercial Company', temporarily, for what concerns our exports, as well as by other similar English enterprises, we refer to the answer given by the State Department with verbal note n. 44/05827 of April 23rd 1945, to Verbal note n. 76 of March 29th of the American Embassy a propos of a similar offer of services.

The Minister

s. GRONCHI

2013

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4410

AMBASSADE DE LA REPUBLIQUE FRANCAISE
EN ITALIE

Rome, 15 May 1945

Le Conseiller Commercial

No. 433-I/A

My dear Brigadier,

I refer to my letter No. 430-I/A of the 14 of this month. To the note enclosed subject "Delivery of the phosphate to Italy", the paragraph 2 must be amended as below :

" The above mentioned quantity REPRESENTS the balance remaining of the 100,000 Tonnes allotted to Italy for etc.etc....

I apologise for this error and ask you to accept the assurance of my most distinguished consideration.

The Commercial Counsellor

/S/

M.S. WISH
Brigadier General
Executive Commissioner
Headquarters Allied Commission
Rome.

2017

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

(16)

Ambassade
de la République Française
en Italie

Rome le 15 Mai 1945

Adresse télégraphique Comaffa Rome 7 et 24-373

Le Conseiller Commercial

N.433-I/A

Mon Général,

Je me réfère à ma lettre no430-I/A du 14 de ce mois.

A la note jointe, intitulée "Livraisons de phosphates à l'Italie", le paragraphe 2 doit être modifié comme suit:

"La quantité ci-dessus indiquée représente le solde de l'attribution de 100.000 Tonnes allouée à l'Italie par etc. etc.."

En m'excusant de cette erreur matérielle, je vous prie d'agréer, mon Général, l'assurance de ma considération la plus distinguée./.

Le Conseiller Commercial

Amendment to Para. 2. of letter from French Embassy of PHOSPHATES 14.6.45:

The above mentioned quantity represents the amount of 100,000 tons allotted to Italy by etc. . .

M.S. LUSH
Brigadier Général
Executive Commissioner
Headquarters Allied
Commission

20

Le Conseiller Commercial

N.433-I/A

Mon Général,

Je me réfère à ma lettre n°430-I/A du 14 de ce mois.

A la note jointe, intitulée "Livraisons de phosphates à l'Italie", le paragraphe 2 doit être modifié comme suit:

"La quantité ci-dessus indiquée représente le solde de l'attribution de 100.000 Tonnes allouée à l'Italie par etc. etc.."

En m'excusant de cette erreur matérielle, je vous prie d'agréer, mon Général, l'assurance de ma considération la plus distinguée./.

Amendment to Para. 2. of letter from French Embassy on PHOSPHATES dated 14.6.45:

The above mentioned quantity represents the amount of 100,000 tons allotted to Italy by etc...

M.S. LUSH
Brigadier Général
Executive Commissioner
Headquarters Allied
Commission
R O M E

Le Conseiller Commercial

20

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

4410 B

(115)

TRANSLATION OF LETTER EXECUTIVE COMMISSIONER FROM FRENCH COMMERCIAL COUNSELLOR.

14th May 1945.

(112)

On May 8th you were good enough to enquire from our Ambassador if he would inform you of the reply of the French Government to the telegram we sent to Paris following the meeting on April 17th at the Italian Ministry of Industry, Commerce and Works.

I now have the honour to inform you that we are daily expecting the arrival in Rome of M. Verde Delisle, delegate of the Institute of Phosphates, who is fully empowered to discuss all questions connected with supplies to Italy.

M. Verde Delisle has been ready to leave since the end of April and he will start as soon as he has received the necessary permits from AFHQ, who have been approached by the British Economic Mission in Algiers and also by this Embassy.

Meanwhile, I think it may be of use use to send you herewith a note on the information given to me during my last visit to Paris.

see 114

DELIVERY OF PHOSPHATES TO ITALY.

---

1. The French Government has authorised the export of 63,500 tons of phosphates.

2. The quantity cited below represents the allotment given to Italy by the Combined Board for the period 1st July 1944 to 30th June 1945. The tonnage delivered since the 1st January 1945 must be considered as subtracted from this allotment.

3. The contract relating to the estimated delivery which will be made to the Italian Government through the Allied Commission, may be signed by the party authorised by this Government.

4. The prices of the different qualities of phosphates have been fixed as follows:-

see 113

65/68%	604 francs per ton.
63/65%	504 " " "
58/63%	149 " "

5. The above prices are valid for the period 1st January - 30th June 1945. They are based on the calculation of 2 lires = 1 French franc. 20.4

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

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Meanwhile, I think it may be of use use to send you herewith a note on the information given to me during my last visit to Paris.

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3. The contract relating to the estimated delivery which will be made to the Italian Government through the Allied Commission, may be signed by the party authorised by this Government.

4. The prices of the different qualities of phosphates have been fixed as follows:-

65/68%	604 francs per ton.
63/65%	504 " " "
58/63%	449 " "

5. The above prices are valid for the period 1st January - 30th June 1945. They are based on the calculation of 2 lires = 1 French franc.

(CAPT ARNOLDY)

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

(114)

Ambassade de la République Française en Italie

Le Conseiller Commercial

N.430-I/A

Rome le 14 Mai 1945

Adresse télégraphique Comaltta Rome A.S./as.

Phosphates 10
import pour France
(P.C.) letter 7/8/45

Mon Général,

Le 8 de ce mois vous avez bien voulu demander à notre Ambassadeur de vous faire connaître la réponse du Gouvernement Français au télégramme que nous avons envoyé à Paris à la suite de la réunion tenue le 7 Avril dernier au Ministère Italien de l'Industrie, du Commerce et du Travail.

J'ai l'honneur de vous faire savoir que nous attendons d'un jour à l'autre l'arrivée à Rome de M. Verde Delisle, délégué du Comptoir des Phosphates, qui a reçu tous pouvoirs pour discuter les questions relatives aux fournitures à faire à l'Italie.

M. Verde Delisle est prêt à partir depuis fin Avril et il se mettra en route dès que les autorisations nécessaires lui auront été accordées par A.F.H.Q. que la Mission économique britannique à Alger et cette Ambassade ont déjà saisi de la question.

Annexe: 1

Entretemps, je crois utile de vous adresser la note ci-jointe qui résume les renseignements qui m'ont été communiqués lors de mon dernier séjour à Paris.

Veuillez agréer, mon Général, l'assurance de ma considération la plus distinguée./.

Le Conseiller Commercial

M.S. L U S H
Brigadier Général
Executive Commissioner
Headquarters Allied
Commission
ROME

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Declassified E.O. 12356 Section 3.3/NND No. 785613

Le Conseiller Commercial

Phosphates
export pour France
(P.C.) Letter 2/8/5

N.430-I/A

Mon Général,

Le 8 de ce mois vous avez bien voulu demander à notre Ambassadeur de vous faire connaître la réponse du Gouvernement Français au télégramme que nous avons envoyé à Paris à la suite de la réunion tenue le 7 Avril dernier au Ministère Italien de l'Industrie, du Commerce et du Travail.

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Veuillez agréer, mon Général, l'assurance de ma considération la plus distinguée./.

Le Conseiller Commercial

M.S. L U S H
Brigadier Général
Executive Commissioner
Headquarters Allied
Commission
ROME
========

Declassified E.O. 12356 Section 3.3/NND No. 785013

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

(113)

LIVRAISONS DE PHOSPHATES A L'ITALIE

1.- Le Gouvernement français a autorisé l'exportation de 63.500 Tonnes de phosphates.

2.- La quantité ci-dessus indiquée représente l'attribution allouée à l'Italie par le Combined Board pour la période du Ier Juillet 1944 au 30 Juin 1945. Le tonnage livré depuis le Ier Janvier 1945 doit être considéré comme prélevé sur cette attribution.

3.- Le contrat relatif à la livraison envisagée qui sera transmis au Gouvernement Italien par l'intermédiaire de la Commission Alliée pourra être signé par la personne habilitée par ce Gouvernement.

4. Les prix des différentes qualités de phosphates ont été fixés comme suit:

65/68%	604 Francs la tonne
63/65%	504 " " "
58/63%	449 " " "

5.- Les prix ci-dessus sont valables pour la période du Ier Janvier au 30 Juin 1945. Ils sont basés sur le cours de: 2 Lires= 1 Franc français./.

Doc 115

2013

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

112

Ref: 4410/112/FC

8 May 1945

My dear Mr. Ambassador:

On 7 April 1945 at a meeting held at the Italian Ministry of Industry, Commerce and Labor with the object of clarifying the position as to the continuance of the supply of rock phosphate from North Africa, it was finally agreed with Monsieur Gabrielle, of your Embassy, that a cable be sent to Paris to the effect that the Italians were presenting the following firm offer:

> "100,000 tons phosphate rock at Lit. 800 per ton fob. North African port based on 58% phosphate content. Delivery over the period April/June. Price to include fob. charges."

While it was understood that a reply could be expected within the next two or three days, that is, sometime around 10 April, no information has been received to date.

It will be appreciated that this delay is of considerable embarrassment to the Italian Government. Any steps which you can take to settle this matter will be sincerely welcomed.

Yours very truly,

M. S. LUSH

Brigadier
Executive Commissioner

His Excellency Maurice Couve de Murville
The French Ambassador
French Embassy, Rome

Copy to:- Econ Sec (ref ac/5201/2/Commerce) dated 4 May.

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

4410

(169)

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

4 May 1945

MAY 5 REC'D

REF. : AC/5201/2/Commerce

SUBJECT: Import of Rock Phosphate from North Africa

TO : Chief Commissioner —

1. Shipments of rock phosphate from North Africa to Italy were suspended by the French, in March, pending agreement on the question of increased prices which they wish to charge to the Italian Government.

2. On 7 April 1945, a meeting was held at the Ministry of Industry, Commerce and Labor, with the object of clarifying the position as to the continuance of supplies of rock phosphate from North Africa. This was attended by representatives of the Italian Ministry of Industry, Commerce and Labor, of the Sta. Montecatini, of the French Embassy and of Industry Sub-Commission of this Headquarters.

3. It was finally agreed that Monsieur Gabrielle of the French Embassy should cable Paris for acceptance of the following firm offer put forward by the Italians: -

> "100,000 tons phosphate rock at Lit. 800 per ton fob. North African port based on 58% phosphate content. Delivery over the period April/June. Price to include fob. charges."

Monsieur Gabrielle agreed to reply within 2 to 3 days.

4. No reply can be obtained from the French Embassy by the Italian Ministry. Enquiries made by this Headquarters at the French Embassy yesterday afternoon revealed that Monsieur Gabrielle is in Paris and that no information could be given. It is of the utmost importance that a decision should be reached by the French, and it is considered that the French Embassy should be approached on the necessary high level to insure that a satisfactory answer is obtained.

M. G. ANTOLINI
Acting Vice-Pres.
Economic Section

2011

111+113

see Folio 112

(Mrs Sims)

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

108

Tel: 451.

Ref: 4410/108/30.

30 April 1945.

SUBJECT: Phosphate Imports from Sfax.

TO : Economic Section. (2)

May we please have information on the latest developments regarding the above subject. We have noted your Commerce Sub-Commission cable 5853 of 21 April to AFHQ.

105-107

4 Chief Staff Officer,
To the Executive Commissioner.

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

101

4410

FOR ACTION AMHQ FOR FHCEG

5853 21 APRIL ROUTINE

APR 23 RECD

CONFIDENTIAL FD

SUBJECT IS IMPORT OF ROCK PHOSPHATE FD

PAREN TO FOR ACTION AFHQ FOR FHCEG FROM HQ ALCOM CITE ACCOM PAREN

PARA ONE FD YOUR FOX FIVE ZERO EIGHT FOUR ONE OF TWO EIGHT MARCH AND BAKER EASY MIKE OBLIQUE SEVEN AND BAKER EASY MIKE OBLIQUE EIGHT OF TWO EIGHT MARCH REPEAT FD

PARA TWO FD PRESENT STATUS THIS MATTER IS AS FOLLOWS CLN FD

PARA THREE FD FRENCH AND ITALIAN AUTHORITIES ARE NOT YET IN POSITION TO NEGOTIATE DIRECTLY SINCE ALCOM MEMORANDUM TO ITALIAN GOVERNMENT BASED ON PROPOSALS SENT TO YOU IN ONE THREE POINT ZERO THREE OBLIQUE EASY SUGAR OF TWO SIX JANUARY MET WITH DESIRE FOR CONSIDERABLE CLARIFICATION ON THE PART OF THE ITALIANS FD A FURTHER NOTE IS BEING COMMUNICATED TO ITALIANS BRINGING MATTER UP TO DATE WITH DIRECTIVES OF TAM FOUR FIVE SIX FD 2008 OF .....

456 913

2008

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CORRESPONDENCE WILL BE SENT TO YOU PD

PARA FOUR PD FRENCH LEGATION IN ROME HAS NOT BEEN INFORMED BY PARIS OF SUSPENSION OF SHIPMENTS FROM SFAX PD

PARA FIVE PD REQUISITION ONE TWO OBLIQUE KING ITEM SUGAR CHARLIE OBLIQUE GEORGE BABY NAN OBLIQUE FOUR FOUR OF TWO EIGHT APRIL ONE NINE FOUR FOUR STATED NEED FOR EIGHT TWO ZERO ZERO TONS OF SIX FIVE OBLIQUE SEVEN ZERO PERCENT PHOSPHATE ROCK MONTHLY FOR UNDEFINED PERIOD PD PRICES HAVE NEVER BEEN DISCUSSED WITH ITALIANS HITHERTO PD

PARA SIX PD MEETINGS HAVE NOW BEEN HELD AT ALGER HEADQUARTERS WITH FRENCH AND ITALIANS PRESENT PD ITALIANS HAVE AGREED TO NEGOTIATE CONTRACT FOR ONE ZERO ZERO ZERO ZERO ZERO TONS OF FIVE EIGHT PERCENT PHOSPHATE ROCK ON BASIS OF EIGHT ZERO ZERO LIRE PER TON FOB NORTH AFRICAN PORT AND FRENCH LEGATION HAS CABLED PARIS ACCORDINGLY PD REPLY IS AWAITED PD

PARA SEVEN PD IT IS STRESSED THAT IF THE PRICE IS AGREED IT

2008

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WOULD FORM BASIS OF NEW CONTRACT PD WE REQUIRE INFORMATION ON THE HISTORY AND STATUS OF REQUISITION ONE TWO OBLIQUE MIKE ITEM SUGAR CHARLIE OBLIQUE GEORGE BABY NAN OBLIQUE FOUR FOUR AND DETAILS OF TERMS OF CONTRACT CMA IF ANY CMA CONCLUDED IN NORTH AFRICA PD REQUEST ALSO YOUR CLARIFICATION OF PROCEDURE TO BE FOLLOWED WHEN REQUISITIONED SUPPLIES ARE SUBSEQUENTLY OBTAINED THROUGH NORMAL TRADE CHANNELS AND CLARIFICATION POSITION REGARDING UNILATERAL SUSPENSION OF SHIPMENTS BY SUPPLIER OF CATEGORY A COMMODITIES PD

Copy to : Economic Section
Industry Sub-Commission

2007

COMMERCE S/C

611

(MAJ. GEN)

NICHOLAS PIOMBINO
C/O, USA
Asst. Adjutant

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

(COPY) See Folio 85 - Vol. 1.

1040

6 April 1945.

Memo:

To : Acting President, Allied Commission

From: Chief Commissioner

Regarding your inquiry concerning the French hold-up of phosphate shipments from SFAX due to price difficulties, the Economic Section has been directed to take this matter up with the French representative to the Allied Commission and express in strongest terms the gravity of the situation. The French Embassy cabled their Government for full explanation as to the cause of the delay (no reply has been received).

Previous demands for phosphate rock have been dealt with by AFHQ on a requisition basis, and accordingly the Italian Government was not consulted on the price question. This policy has now been changed and imports of phosphates are cleared through the regular Foreigh Trade channels.

Mr. Antolini will try to bring the problem to a head at Economic Section's regular weekly meeting (6 April) with the Italian Ministers.

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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AFSC N 118/10

FILED: 092028Z
REC'D: 100010A

ecm

ROUTINE

PARAPHRASE OF TAM 456 DATED 9 FEBRUARY 1945.

FROM: AGWAR FROM CCS

TO : AFHQ TO ALEXANDER, INFO HJSM TO BCS

REF NO. THIS MESSAGE: WX 34894. FOR FHGEG CITE CCAC

Refer letter from AFHQ, dated 24 August 1944, Subject: "Requested Revision of Export Price Policy" and MAT 484.

Italian export policy.

As a result of discussions between representatives of the US and United Kingdom civilian agencies, the following policies covering Italian exports have been adopted:

1. Classification of Italian exports. For purpose of marketing and pricing, Italian exports are classified as follows:

A. Commodities exported on supply grounds.
B. Commodities exported on commercial grounds.

Category A will include the following:

1. All products listed on the reserved commodity list of combined boards which because of short supply require combined board determination as to source of supply.

2. Other products which by agreement in advance among the United States, United Kingdom and CANADA may be determined to be necessary to the war effort of the prospective purchasing countries and which for shipping reasons should be obtained from ITALY.

Category B will include all other products.

2. Commodities exported on supply grounds (Category A).

Marketing. These products must be sold in such markets and in such amounts as may be determined by the combined boards or other appropriate combined Allied agency.

Pricing. Prices will be fixed by negotiation between the purchaser [illegible] seller (Italian Government or other supplier). Failure to reach an agreement [illegible] of the goods for which the Italian [illegible] or in

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Category B will include all other products.

2. Commodities exported on supply grounds (Category A).

Marketing. These products must be sold in such markets and in such amounts as may be determined by the combined boards or other appropriate combined Allied agency.

Pricing. Prices will be fixed by negotiation between the purchaser and the seller (Italian Government or other supplier). Failure to reach an agreement will NOT, however, prevent the exportation of the goods for which the Italian Government will receive at least the ceiling price in the purchasing country or in the absence of a ceiling price the normal selling price in the market of sale, plus any elements of subsidy less expenses.

If this price is NOT satisfactory to the Italian Government and if the cost to produce the product in ITALY is higher than the foreign exchange equivalent proceeds of the sale in the country of destination, the Italian Government may request of the Allied Commission consideration of price adjustment by the purchaser. Pending the authorization by the Combined Chiefs of Staff of a direct channel of communication between the Allied Commission and the Combined Liberated Areas Committee, the AC should be instructed to forward such requests with its recommendations through the Combined Civil Affairs Committee to the Comoined Liberated Areas Committee for its consideration.

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3. Commodities exported on commercial grounds (Category B).

Marketing. These products may be offered for sale by the Italian seller in any market the seller may determine.

Pricing. The Italian seller will be free to obtain the best price which it can. The Allied Commission, however, should recommend to the Italian Government that except as may be justified by special circumstances arising out of wartime conditions, as a general policy, such products should NOT be offered for sale abroad when the price which can be obtained in a foreign market is less than the equivalent purchase price in lire plus transportation and other costs.

4. Procurement of exports in Italy.

As rapidly as possible, the responsibility for procuring all goods for export or for making such other arrangements as are necessary to stimulate Italian export trade and responsibility for pricing of all export goods will be turned over to the Italians. The AC will withdraw from the procurement of goods in ITALY for export and confine its activities to exercising such supervision over Italian exports as is necessary to ensure that policies laid down by the Combined Chiefs of Staff are observed and that any procurement responsibilities placed upon the Italian Government are carried out. This will NOT preclude arrangements being made with the Italian Government for representatives of foreign buyers to undertake direct negotiations with individual producers.

5. Sale of Italian exports.

It will be stated to the Italian Government that the objective of this policy is the restoration of private trade. To this end the AC will examine with the Italian Government the problems involved on both sides. The Allied Commission will then recommend to the CCAC such modifications of the present procedures as it considers presently justifiable to accomplish the greatest possible restoration of private trade.

As an interim measure and in the absence of other arrangements, pending the re-establishment of private trade between Italy and other countries which should be encouraged as far as possible, the US commercial company will offer their services on an agency basis to the Italian Government in handling the sale abroad of Italian goods. To the extent this offer is accepted, they will operate subject to the limitations referred to in the preceding paragraphs and in accordance with terms mutually agreed upon between them and the Italian Government.

The United Kingdom commercial corporation will NOT be able to be used in the same manner as the US Commercial company but designated agencies of the British Government will be glad to assist the Italian government in making arrangements for trade with other countries.

NOTE: MAT 484 is Ref FX 79614 IS MC OUT 1496 5/1/45 G-5

ACTION: G-5

INFO : G-4 G-4 (B) DIR ADV (B) FISC DIR RES MIN US POLAD
AG RECORDS

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