

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

ACC

10000/109/861
(VOL. 2)

FINANC
OCT. 194

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

10000/109/861
(VOL. 2)

FINANCING OF CIVILIAN SUPPLIES FOR ITALY
OCT. 1945 - APR. 1946

785017

149.

Copy of 145 1513. Embassy under Personal

151/12/14

150

Action taken by m ~~1513~~ minute 149
for 13/4

152.

Ex Comm. 151 for info. 151/2/15.
This is a very long sentence (!)

153

Chief Commissioner.

151

attached is submitted for your information
signature

151/3/15

✓ 151/3/15

F.C.

4/✓

2657

151/12/15

CSO: 154 for your information

151/12/15

785017

to Com:

138.

H.S. 43

M/S/3

A/C.C.

142.

, herewith for your info are follows

140 & 141.

143.

What action is being taken?

M/S/4.

146

also for your information of serial 144-145.

147.

A/C.C.

- 1) 145 for info
- 2) I am following up your in 143

H.S. 9/14

M/S/10/4

A/C.C.

148

C.S.O. Re-min. 143 alone.

as for 140; no action is being taken by anyone pending further info from the FBI as he stated in his par 3.

as for 141: Col. Young of Allied Supply Accounting Agency explained that it is a

142A/C.C.
G.S.G.

Merewith for your info are folios

140 & 141.

G.R. 4/4. H.S. 4/4

143

What action is being taken?

144 (do.)

~~action being taken~~146

C.S.O. for your information folios 144-145.

H.R. 9/4.

147

A/C.C.

1) 145 for info

2) I am following up your m 143

H.S. 9/4

W 10/4

148

A/C.C.

148

C.S.O. Re-min. 143 above.

as for 140; no action is being taken by anyone furnishing further info from the 588 as he stated in his par 3.

as for 141: Col. Young of Allied Supply accounting agency explained that it is a delayed reply to our letter 13168F-24 Jan 46 folio 125; that only 3 ships were involved and that the transaction has long been completed and that there would be no further transaction under such agreement. It is now a closed deal.
H.R. 11/4. H.S. 11/4

124
cc. Please see 1-123 for info.

de la m.
C. de la m. 120 fr. m. 126
H. 2

17x15H

Ex Com. 125
cc: Please see 127 for inf. 125

May 11.
Cox

Follow up with Econ Sec & find out whether
any action is being taken. BB/MLC

130.
A/c.c.
CO. Ref. Min 129. ~~Lab~~ MOC 511, ^{5th 133} $\frac{1}{2}$ Wash + Jordan was
sent 9 Feb 40. MS. 1412
SPH
13/2/40
See by MCC. $\frac{1}{2}$ $\frac{1}{2}$

to Com: 125

CSO Please see 125 for info.

SH. 9/12 8/2/66

try it.
CSO 7/15/66

129.

Follow up with Econ Sec to find out whether

any action is being taken. SH/10/66

A/C.C.

130.

CSO Ref. Min 129. ^{also 133} ~~also~~ MVC 5/11 to Wash + London was

sent 4 Feb 66.

SH. 14/12

SH. 13/2/66

seen by spec. 6/4

2055

$$\sqrt{-x} \text{ konv.}$$

103

550 - ^{Final}Julius 100-101 for info

Encl 25/10

17/1/8

C-50 106

Emu 29/10

13/11

112

13/11
Please see 110 a 109 - cold animal in the

Halper Got.

4/13/11

114

1/4 to 1/2

14/11/2014

250

0710

112 1/2

SMH 3/12/82

4/12.

2652

785017

4602 RD
OFFICIAL TELEGRAM

This message will not be distributed outside
British or U.S. Government Departments or
Headquarters unless submitted even in cipher
without being enciphered. (Messages marked
O.T.P. ~~SECRET~~ are not enciphered)

FX 66376
181030 B

H/3123

MAY 19 1500

ROUTINE

FREEDOM SIGNED BACKED CITE FREEG

SECRET

ADWAS WASHINGTON FOR COS FOR COAC

MAY 20 1946

INFO: CABINET OFFICES WHITEHALL FOR SUB. USPET MAIN ALCOVE FOR ASIA COALA PARIS
FOR MACINTOSH.

SECRET

THIS IS MAY 1023. SUBJECT IS BILLING ITALIAN GOVERNMENT ~~XXXXXXXXXXXXXXXXXXXX~~ ITALY.
FOR CIVILIAN SUPPLIES TAN AIRGRAM 42 REFERS.

1. FIRST PART OF COMBINED BILL REPRESENTING DIRECT SHIPMENTS TO ITALY FROM U.S. U.K.
AND CANADIAN SOURCES DURING PERIOD FROM INITIAL SHIPMENTS THROUGH 31 OCTOBER 1944
EXCLUDING COAL FOR AIR MEDICAL SUPPLIES FORWARDED TO ITALIAN GOVT ON 11 MAY 46 WITH
COPIES TO U.S. AND BRITISH EMBASSIES IN ROME.
2. VALUES INVOLVED AS FOLLOWS. 113107548 (113107548) DOLLARS. 327280 (327280)
DOLLARS 47860474 (47860474) DOLLARS. FOR US CANADA AND UK RESPECTIVELY REFERRED TO
ITALIAN GOVT AS ONE TOTAL 161295302 (161295302) DOLLARS. DETAILS OF COMPUTATION
DESPATCHED TO ALL CONCERNED THIS DATE.
3. ALLIED SUPPLY ACCOUNTING AGENCY REPORT THEY HAVE RECEIVED TO DATE VALUES OF DIRECT
SHIPMENTS TO ITALY AS FOLLOWS:
(A) US THROUGH 30 NOV 45 OUT OF DATE (B) CANADA THROUGH 31 MARCH 45
(C) UK THROUGH 31 OCT 1944. MAY CANADIAN AND UK FIGURES THROUGH 30 NOV PLEASE
BE EXPEDITED.
4. ASAA FURTHER REPORT THAT NO FIGURES YET RECEIVED FOR VALUES OF ISSUES FROM US
BRITISH AND CANADIAN MILITARY STOCKS.
5. IT IS ASSUMED THE BILL FOR COAL AND POL WILL BE BASED ON COMBINED PETROLEUM
COMMITTEE AND COAL DIVISION ACCOUNTS AS APPROVED BY YOU. PLEASE CONFIRM.

INFO ACTION: LOON SEC 2, CHIEF COMEX EX COMEX, FINANCE BRIT, EMB US EMB CAN BR, FILE
AC DIST
SKELETON

(1055 021)

2653

PA 4/5

785017

Relation

66384/13073.52/19.14

IL PRESIDENTE
DEL CONSIGLIO DEI MINISTRI

-1-1-1-

Rome, 24 April 1946.

APR 27 1946

Dear General,

After my letter No. 62129/19157.5/2.7 which on the 30 March last I sent to Admiral Stone informing him of the state of the question relating to the acknowledgment of the "Istituto Nazionale del Commercio Estero" as the only direct agent of the Italian Government for the withdrawal of the goods coming from the Allies, I hasten to inform you that the Italian Mission of the UNRRA has accepted, in general outline, the opinion and ideas sustained by the Italian Government, and in consequence have recently arrived at a formal written understanding (by the mediation of the Delegazione Italiana dell'UNRRA) in which is confirmed precisely that the "Istituto Nazionale per il Commercio Estero" (ICE) is delegated by the Italian Government to receive goods imported by UNRRA for the Italian Civil Economy " and is furthermore specified "the delivery will be effected by bodies appointed by the Italian Government in agreement with UNRRA, excepting in special cases in which delivery will be effected directly from I.C.E."

With cordial salutations

/s/ De Gasperi

See In 152

To : Brig. Gen. M. S. LUSH
Allied Commission

R O M E

(AB)

See In 152 153

E.C. DIST - 24 Apr 1946
2653 Ac. (2)
Sup - C.C.
E.C.

9
(1915 DE 9) 558

785017

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

13214/P

6 April 1946

SUBJECT : Credits for Italy.

TO : The Acting Chief Commissioner

1. You may not have seen the following news item, which appeared in "The Rome Daily American" on 5 April, 1946:

U.S. EXPRESSES DOUBT ITALY WILL GET FULL LOAN

Washington. April 4 (AP) - United States Government officials dealing with Italy's request for a 940,000,000 dollar Export-Import Bank loan expressed doubt today that the entire sum would be granted. However, they revealed that they were studying other ways by which Italy's dwindling dollar credits in the United States might be increased.

Officials declined to estimate the amount Italy might be granted by the bank; their consensus seemed to be that not more than one quarter of the requested amount would be forthcoming. To compensate for this reduction, the officials said they had been studying a system for deposit of dollar credits to Italy's account at the equivalent exchange rate against the occupation lire paid out by the American Army for Italian services and supplies.

This system would be a parallel exchange to the troop-pay arrangement devised by the late President Roosevelt in 1944.

To date, the system of exchange credits has netted Italy some 200 million dollars spendable in the United States, according to Alberto Tarchiani, Italian Ambassador in Washington.

In general, officials here were pessimistic regarding Italy's chances of getting the full amount she had requested.

SK 9/4. See Memo 146-147 & 148 149.130
- 1 -
2651
Pa. 1/33

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144

"In view of the Export-Import Bank's low funds, and a number of other countries asking for loans, Italy's chances for a substantial gain are slim", one official said. He pointed out that Italy was "competing with about 20 other countries for a major loan.

At present, the bank's funds total about 1,700,000,000 dollars it was learned. Even if the recommended 1,250,000,000 dollars appropriation to the bank is approved by Congress, it is felt that all requested loans would have to be reduced."

2. This story is confirmed by other information we have had from Washington. I understand that if the dollar equivalent of the lire expended by the U.S. Army for the purchase of Italian goods and services is to be given to the Italian Government, the amount involved at the present time is some 120 million dollars.

B.E.L. Timmons
B.E.L. TIMMONS, Lt. Col.
Chief Financial Adviser

785017

TRANSMISSION

4602

81

EC

141

6012/19157.5/2.7

Rome, 30 March 1946

The President of the
Council of Ministers

Dear Admiral,

In reference to your letter N. 13163/7 of 26 January 1946, concerning the procedure for the transfer to the Italian Government of all the goods belonging to the Allied Armed Forces, arrived in Italy after 30 Nov. 1945.

I share your view as to the speed the transfer will have to be carried out, in the interest of the Italian people. I am also in agreement to deliver the goods in entirety to the National Institute of Foreign Trade (Istituto Nazionale per il Commercio Estero) or to its sub-agents, as the said supplies are part of those foreseen in art. 1 of the L.N.L. 2/5/1945, n. 570.

With my best regards

/s/ De Gasperi

To Admiral Percy W. TONE
Chief Commissioner
Allied Commission

R O M E

2643

EC Dist. 3 Apr.

ACTION. Econ SEC (v).

INFO

CC.

EC

See 7-17

SR
4/4

(MAY 4)

785017

TRANSLATION

62329/19157.5/2.7

Rome, 30 March 1946

The President of the
Council of Ministers

Dear Admiral,

I am carefully examining the proposition of considering the Italian Federation of Agricultural Syndicates, the Central Office for Coal of the Central Administration of the State Railways, the Italian Assembly for Petroleum, as direct agents of the government, rather than sub agents of the National Institute for Foreign Trade, which, as you know, in base of the D.L.L. 28 May 1945, n.570, is the only body trustee of all Allied Supplies for the Italian Government.

The organs of the government concerned, are of the opinion, that it is better, in general, to follow the system established by law. This proposition has been, however, submitted to the Italian Delegation of UNRRA that will study it together with the members of the mission of UNRRA in Italy.

I will let you know, at a later date, the conclusion reached by UNRRA.

With my best regards,

/s/ De Gasperi

To Admiral Elery E. STONE
Chief Commissioner
Allied Commission

ROME

EC Dist. 3/4/46

ACTION Econ Sec (204)
Info CC
Info E.C.

2/12 4/14
14)

785017

11009 + 4602 R

139

INCOMING MESSAGE
Headquarters Allied CommissionOriginator's Reference: WCL 24871
Date/Time of Origin: MAR 150025ZMessage Centre No: H/706
Date Time Rec'd: MAR 151400
Precedence: ROUTINE

FROM: WAR FROM CCS CITE COMAC

TO: ZICOM TROOPERS ALLIED COMMISSION FOR ACTION FOR CLAC

INFO: ARMC FOR INGE AND WAR OFFICE FOR STAG SECRETARIAT

MAR 15 1946

UNCLASSIFIED.

THIS IS COM 430.

SAFEH NOC 436

140,000,000 DOLL. AS DEPOSITED IN THE TREASURY DEPARTMENT FOR TROOP PAY ACCOUNT.
 175,000,000 DOLLARS TRANSFERRED TO GEN. FOR TRANSMITTED TO PROCUREMENT AGENCIES
 TO TEST YR REQUISITIONS. UNUSED BALANCE OF 3,576,058 DOLLARS 70 CENTS UNTILL WITH
 BEING RETURNED TO TREASURY. TOTAL BALANCE REMAINING 28,576,058.70 CENTS.
 CONTRIBUTIONS WILL INCREASE THIS AMOUNT TO SOME EXTENT.

AC DIST

ACTION DIRECTION: ECON SECTION 16
 CSO 6
 SUPPLY GROUP
 PROGRAM BR
 REQUISITION BR 10

ADVANCE COPIES TO: COMANCE SC 2
 FINANCE SC
 FOOD & LOG SC 2
 IND & UTIL SC 2
 COM-1 DIV
 TN SC 2

INFO: CHIEF COMMISSIONER
 EXEC COMMISSIONER 2
 CC BR LMB
 CA US LMB
 FILE



(Nas. H.) 9/14/46

HEADQUARTERS ALLIED COMMISSION
Economic Section
APO 394

Ref.

55/26.02

27 February 1946

1946

SUBJECT: Financing of Essential Imports

TO : Interministerial Committee for Reconstruction
ROME

1. Further to my memorandum of 8 February, I have now received from the Minister of Industry and Commerce his letter of 14 February in which he gives me details of the program of work of your Technical Committee.
2. It was with pleasure that I read Minister Gronchi's appreciative comments on the results of the collaboration of Allied Commission in the preparation of programs during the last two years. I wish I could undertake to ensure a continuation in the future of the same form of collaboration; however, as UNRRA is assuming responsibility for the type of basic supplies which have in the past been handled by AC, the personnel that have been concerned with the programming of supplies will shortly no longer be a part of the Economic Section.
3. In view of the desire expressed in Minister Gronchi's letter for a continuation of Allied collaboration in the examination of the problems inherent in the economic recovery of your country, I offer the following suggestion for the consideration of the Italian Government.
4. I believe that it would be to Italy's advantage if the Italian Government were to ask the Governments of, say, the United States and the United Kingdom to send to Italy economic and technical missions with agreed terms of reference and limited time schedules. Your government would thereby obtain authoritative, objective opinions on the condition of Italy as seen from abroad against the background of post-war world economy; an independent estimate of Italy's basic needs for rehabilitation and reconstruction of supplies; and a realistic appraisal of the possibilities of securing the necessary foreign assistance. Moreover, the reports of these missions to the

TO : Interministerial Committee for Reconstruction
SOME

1. Further to my memorandum of 8 February, I have now received from the Minister of Industry and Commerce his letter of 14 February in which he gives me details of the program of work of your Technical Committee.
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5. For so long as this Section remains in existence, you may count, of course, on the continuation of whatever

PA 44

Dec 1945

87

785017

assistance you may desire and we are able to give.

Sincerely yours,

Harlan Cleveland

HARLAN CLEVELAND
Acting Vice President

cc: Chief Commissioner
Executive Commissioner

Ministry of Industry and Commerce
Ministry of Public Works
Ministry of Transportation
Ministry of Foreign Trade
Ministry of Foreign Affairs
Ministry of Agriculture
Ministry of Marine

American Embassy
British Embassy

2045

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4602

135

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

Tel. 478192

WIS/ee

Ref. AO/5203/43/Commerce

14 February 1946

SUBJECT: Export of cotton textiles

TO : Prof. Giuseppe Rucci
Secretary General
Camera di Commercio Italiana per le Americhe

1. Reference is made to your letter
ref. No. 5440, dated 6 Feb., addressed to Admiral Stone,
regarding the limitations said to be imposed by the
Textile Committee in Washington on the export of
cotton textiles from Italy.

2. While it is true that, for the present,
exports to the Eastern Hemisphere and Egypt are not
permitted, there has not yet been any suggestion that
exports to North Africa would be prohibited.

3. As regards the various American markets
and Egypt, this Headquarters is actively engaged in
pressing the Textile Committee to agree to modify the
present restrictions. While it cannot yet be said
that the restrictions will be lifted entirely, there
is reason to believe that some exports to South
America and Egypt may be agreed in the near future.
Furthermore, it is anticipated that new markets will
be opened to Italy owing to the present world shortage
of cotton goods.

2643

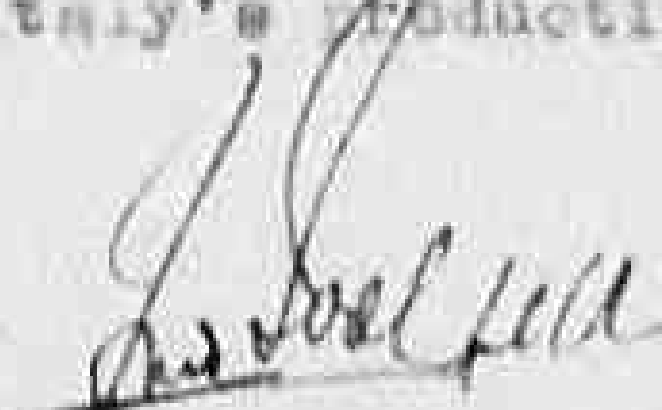
(MA) H) 2/14/46

PA 2/15/46

134

- 2 -

4. Your Camera di Commercio may be assured that the desire of the Italian cotton industry to be permitted to export will be given the most sympathetic consideration by the Textile Committee who are concerned with ensuring that the maximum use is made of Italy's productive ability.



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

Copy to: Office of the Chief Commissioner
Office of the Executive Commissioner
Economic Section

2643

4608 *P*

133

RE ALON

9 SEPTEMBER 1946

(1) ADVISE FOR OUR NEW FLAG FOR FLAG

(2) PARAP (10-10-10) FOR ALSO RECOMMEND (3) OUR RE DESIGN

1038

UNCLASSIFIED

THIS IS MSG 511

SUBJECT IS COTTON TEXTILE MARKETS IS

PARA ONE IS OUR DESIGN SEVEN YEARS AGO

PARA TWO IS IN AGREEMENT WITH PARAGRAPHS TWO AND THREE OF OUR DESIGN

SEVEN YEARS OLD ITALIAN GOVERNMENT HAS BEEN ASKED COTTON MARKETS AND MARKETS

TO PREPARE A CHANGE FOR FIRST HALF COTTON MARKETS AND TO DESIGN FIVE YEARS

FIVE IS FIVE YEARS MARKETS TO MARK MARKETS MARKETS ON ACTUAL MARKETS IS

PARA THREE IS ITALIAN GOVERNMENT CLAIM THAT DESIGN OF COTTON IS

BEING TO DESIGN MARKETS TO COTTON MARKETS AND MARKETS IS MARK MARKETS

AND MARKS PRELIMINARY TO MARK MARKETS IN DESIGNING ITALY OF TRADITIONAL

MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK

BY MARKING MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK

PARA FOUR IS ITALY HAS MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK

MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK MARK

AMERICAN COTTON MARK

IN COTTON COTTON IS

2648

(2) CASEY (LAWREN) FOR ALSO REVEALS THAT (S) AND WAS REVEALS

1038

UNCLASSIFIED

THIS IS DEC 5/1

SUBJECT IS COTTON TEXTILE MARKET ID
PARA ONE ID COTTON TEXTILE MARKET ID
PARA TWO ID IN ACCORDANCE WITH PARAGRAPHS TWO AND THREE OF OUR THREE
DOWNS TWO (2) ITALIAN GOVERNMENT HAS BEEN ASKED TO SET ASIDE ALL
TO PREPARE A COVERAGE FOR FIRST HALF OF THE YEAR 1961 ID THE DEC FIVE ZERO
FIVE ID FIVE ZERO ZERO TO SET MONTHLY REPORTS ON ACTUAL MARKET ID
PARA THREE ID ITALIAN GOVERNMENT CLAIM THAT MARKET IS OF CONSIDERABLE IN
INCREASING TO EXHIBIT REPORTS TO FIVE ZERO ZERO AND ABOUT IN OTHER PARTS
ALL PARTS PREVIOUSLY TO FIVE ZERO ZERO IN INCREASING RATE OF TRADING
NO PARTS AND FIVE ZERO ZERO CERTAIN TO LIMIT ITSELF TO INDUSTRIAL DEVELOPMENT
IN FIVE ZERO ZERO REPORTS OF FIVE ZERO ZERO WITH VIEW TO SET FIVE ZERO ZERO
PARA FOUR ID ITALY HAS THREE MONTHS OF COTTONING AND COTTON CASH FIVE
ALERT / AND FIVE ZERO ZERO CASH FIVE ZERO ZERO CASH FIVE ZERO ZERO IN ABOUT EXCLUSIVELY
CONSIDERABLE CASH FIVE ZERO ZERO FIVE ZERO ZERO OF INTERESTS OF FIVE ZERO ZERO
FIVE ZERO ZERO ID

2042

.....

REMARKS

CONCERN (FIVE ZERO ZERO) 2/5

67232

(MAY. S.E.L. 1961)

C.J. LEWIS
CSC, USA
Asst. Adjutant

See M 130

11/11/61

11/11/61

785017

Translation

Camera di Commercio Italiana per le Americhe

R. G. P.
ST/vb

Rome, 6 February 1946

FEB 8 1946

Admiral Ellery Stone
Chief CommissionerR O M E

As it is well known, the Export-Import Bank of Washington lately granted to the Italian banks a credit vouched for by our Government, of \$ 25,000,000 to finance the importing of American cotton into Italy. Of course, part at least of the cotton thus imported would be exported by us after being manufactured. However, according to what we have heard, it appears that the Textile Bureau of Washington decided to advise the Allied Governments to suspend, temporarily at least, the exporting of Italian cotton goods towards determined destinations.

As this suggestion, if approved, would frustrate one of the fundamental purposes of the above mentioned credit, the General Meeting of the Members of the Camera, which took place on January 31st, took up this matter and approved the following motion which we bring to the attention of the Allied Commission, hoping it will be taken in consideration:

'The General Meeting of the Camera di Commercio per le Americhe,

keeping in mind that the Export-Import Bank of Washington lately granted the Italian Banks a credit vouched for by our Government of \$ 25,000,000 to finance the exporting of American cotton to Italy;

having heard that the Textile Bureau of Washington had lately decided to recommend to the Allied Governments to suspend the exporting of Italian cotton goods to America, North Africa and Egypt - at least till the activity of the Office in question came to an end -;

points out

the contrast between the granting of a credit by the Export-Import Bank to facilitate the importing of American cotton by Italy and the above mentioned dreaded regulation;

begs the Presidency

to ask the American Chamber of Commerce for Trade with Italy to take the necessary action with the Authorities in charge for this regulation not to be carried out.

E.C. DIST - 8 Feb.

Action. Ec-Lec. (3)

Info: C.C.

135 E.C.

Be

Sincerely yours,

The Secretary General
(ref. Giuseppe Tucci)

s. Giuseppe Tucci

See M. 128-29-130
F. 133

8/ 5/14
4/14
(MA) H

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126

Ref. 13168/7

21 January 1946

My dear Mr. Prime Minister:

As you are aware, the responsibility for procuring civilian supplies for Italy ceased to be an Allied combined military responsibility on 31 August, 1945. At the termination of progress of this magnitude there are bound to be many outstanding items of procurement at the cut-off date, and the Combined Chiefs of Staff have allowed civil supplies procured on a military basis and which arrived in Italy up to 30 November, 1945, to be considered as a charge on military expenditure, so as to permit certain supplies which were already in the process of being procured or delivered on 31 August, 1945, to be delivered as Combined Civil Affairs supplies.

The Combined Chiefs of Staff have instructed that any such supplies arriving in Italy after 30 November, 1945, shall revert to the ownership of the country of origin. The Commanding General, Mediterranean Theater of Operations, has instructed that the very few shipments of civilian supplies from the United States which have arrived or which will be arriving after 30 November, 1945, will be immediately declared as surplus property. For convenience in handling, these supplies will be handed over immediately on arrival, on behalf of the Office of the Foreign Liquidation Commissioner by the War Shipping Administration, to the Istituto Nazionale del Commercio Estero or its properly appointed sub-agents, using the same procedures that have in the past been followed in handing over Combined Civil Affairs supplies to the Italian Government.

At your early convenience will you please notify the Allied Commission of your understanding and acceptance of this procedure and confirm that the signatures of the Istituto Nazionale del Commercio Estero and its sub-agents are acceptable to you in accounting for these supplies.

Very truly yours,

ELERY W. STONE
ELERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Onorevole Alcide De Gasperi
President of the Council of Ministers
Italian Government

2633

See M.126

(4602 H) 25/1/46

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4602 48

CONFIDENTIAL

HEADQUARTERS ALLIED COMMISSION
FINANCE SUB-COMMISSION
APO 394

13106/P

17 January 1946

JAN 17 1946

SUBJECT : Italian Import - Export Financing Policy.

TO : The Chief Commissioner.

1. I refer to your letter 13106/P of 7 November, 1945 to G-5 AFHQ (copy attached at Tab "A"), transmitting the Italian Government's program for import - export financing with the suggestion that it be forwarded to COS.

2. COS has now replied in TAC 755, of 10 January, 1946 (copy attached at Tab "B"). AFHQ has stated that no action in the matter is required by the Allied Commission.

(Signed) B. E. L. TIMMONS
Lt. Col.

Director
Finance Sub-Commission

Copy to : U.S. Embassy (Dr. Tasso)
British Embassy (Sir R. Nosworthy)
Executive Commissioner
A/VP, Economic Section

See M. 12-4637

BELT/r

(MA) H) 1/1/46

AA
191
E

785017

460280

122

13106/P

7 November 1946

SUBJECT : Italian Import-Export Financing.

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

1. I attach hereto a copy of a letter, and translation thereof, from the President of the Council of Ministers, stating that the Italian Government intends to adopt a program of surcharging imports and granting an exchange premium on exports, using the same coefficient for both purposes.
2. This program represent the adoption of a major financial policy by the Italian Government, and as such should be referred to CCS for their information and consideration by the interested Governments, in accordance with para 2 of TAM 684, dating 19 September, 1946; para 1 of TAM 701 dated 9 October, 1946; and the spirit of para 7 of FAN 583, dated 3 July, 1946. The Prime Minister's letter does not ask for a reply, as there does not appear any directive requiring the Italian Government to consult with or obtain clearance from the Allied Commission for an action of this type.

sd/ ELLERY W. STONE,
Rear Admiral, USNR,
Chief Commissioner.

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1 COPY

ALLIED FORCE HEADQUARTERS
G-5 SECTION
APO 512

CONFIDENTIAL

12 January 1946

FILE : G-5/383.8

SUBJECT : Italian Import - Export Financing Policy.

TO : Headquarters Allied Commission APO 394
(Attention : Finance Sub-Commission)

1. Reference is made to your 13106/P of the 7 Nov. 45 and 13091/P of the 29 Nov. 45.
2. Enclosed herewith is a copy of TAM 735 which is the reply to MAT 950 of 10 Nov. and MAT 959 of 4 Dec.
3. It will be seen from contents of above reply that no action is required by Allied Commission.

BY COMMAND OF LIEUTENANT GENERAL MORGAN :

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

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COPY

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FILED : 10183LZ PARAPHRASE UNNECESSARY
ROUTINE CONFIDENTIAL

AFSC N 59/II

FROM : AGWAR FROM CCS

TO : AFHQ FOR MORGAN, INFO : CABINET OFFICES WHITEHALL FOR
BRITISH CHIEFS OF STAFF.

REF NO THIS MESSAGE : W 92331

10 January 1946

For FHGRC.

Cite CCAC.

This is TAM 735.

Refer MAT 959

Italian Government proposed import and export
Financial Policy

Since Italy is now free to set exchange rates
and to control foreign trade, No. objection should be raised
by Allied Commission to proposals reported in MAT 950. Views of
US and UK Governments on relation of proposed plan to Military
conversion rates and other matters will be discussed through
diplomatic channels.

For your information both Governments reserve right
to press for application of any special exchange rate or
practical equivalent thereof to their military personnel.

NOTE : MAT 950 is ref FX 55387 MC OUT 159 4/12/45 G-5
MAT 950 is ref FX 32656 MC OUT 794 10/11/45 G-5 2634

ACTION : G-5

INFORMATION : C/S MTO FISC DIR RESMIN USPOLAD

PARAPHRASE UNNECESSARY
MC IN1629 11 JAN 46 CONFIDENTIAL 0725A Ref No. 192331 hs/G

HEADQUARTERS ALLIED COMMISSION

APR 394

ECONOMIC SECTION

Ref.: 13018/P

1 December 1945

DEL. 1945

SUBJECT: Transfers of Supplies and Materials from Italy to Venezia Giulia.

TO: All concerned (Distribution list at end of memorandum)

1. The Allied Commission has inquired of AFM, G-5 Section for a statement of policy respecting the transfer into Venezia Giulia of imported supplies on which the Italian Government has taken title. In a letter dated 12 September the Chief Administrative Officer, Civil Affairs Office of AFM, notified that no objection would be offered to the transfer of imported items to that part of Venezia Giulia in the area lying west of the Morgan Line. TFM Cable 830 from CGS directs that civilian supplies for Venezia Giulia remain a military responsibility.

2. Imported supplies moved from Italy into Venezia Giulia may be transferred from

(a) Civilian supplies imported into Italy to prevent disease and unrest under combined military responsibility (Category A Supplies);

(b) Civilian supplies imported into Italy by the Italian Government, and charged against the fund set up in the U.S. Treasury representing the lire expenditure of U.S. troops in Italy and other Italian or non-Category B Supplies; and

(c) Civilian supplies imported into Italy under the 100 million dollar supply program of the Foreign Economic Administration (Category C Supplies).

It will be appreciated that Civilian Supplies of Categories B and C may be imported in Venezia Giulia so that, in fact, title never passes to the Italian Government.

Some title accounting records are required to be maintained at C Headquarters level for each of the three supply programs, because of the different arrangements under which charges are made against the Italian Government for the value of the goods. It will be necessary that the receipts, warehousing, distributing and accounting records of the agents for the Italian Government: Istituto Nazionale per il Commercio Estero, Federazione Italiana del Consorzio Agrario, or Ufficio Centrale Carboni, all show the particular programs under which supplies are imported into Italy. To establish this service record's must be maintained by them in the accounting records relating to the related records in the

2633

may be, must show on the related shipping documents, in the manner hereinafter prescribed, the supply programs under which the goods were furnished by the United Nations.

5. In connection with imported supplies (markings TOG and UK) furnished to Italy under the combined military responsibility procedure has already been established for goods later transferred from Italy to Venezia Giulia. In such cases the agent of the Italian Government, who had previously acknowledged receipt of the imports on behalf of the Italian Government, has been allowed of the imports in quantities transferred to Venezia Giulia. This credit for the quantities transferred to Venezia Giulia. This credit is allocated on the basis of a receiving report given by the port Liaison Officer or other AC representative making the shipment. The document serves to relieve the Italian Government of the charge, and to transfer the goods to the account of AMG, Venezia Giulia. No change will be made in this procedure. The combined military supply programs for Italy (the distinguished from Venezia Giulia) are terminated with the August loadings except for some minor exceptions.

6. In connection with imported supplies (markings VT) purchased by Italy in the United States from the Troop Pay Fund and other Italian credits (Category B Supplies), particularly attention is invited to the restriction authorization of the Chief Administrative Officer that such supplies may be transferred "to that part of Venezia Giulia west of the Morgan Line". Thus imported "Category B" supplies transferred from Italy are limited for distribution by the VIII Corps to a defined area. When supplies previously taken on charge by the Italian Government as imports under "Category B" are transferred to Venezia Giulia, the Sub-Commissioner of the transfer will make all necessary arrangements with IOK, the Federation or the State Railways, and with the port Liaison Officer or other AC official handling the shipment. When it is found that the objective agent of the Italian Government will receive a transfer voucher in quadruplicate showing the consigned as VIII Corps AMG Venezia Giulia, the commodity, and the quantity. The transfer voucher will state that the shipment is made from U.S. Troop Pay Fund, "Category B" supplies. All copies of the transfer voucher will be forwarded by IOK, the Federation or the State Railways and count retained by the AC officer handling the shipment. The original transfer voucher will be forwarded to the Chief Accountant, Allied Supply Accounting Agency; the duplicate to the Supply Accountant, VIII Corps Venezia Giulia; the triplicate to the Transportation Sub-Commission; and the quadruplicate will be retained by IOK, the Federation or the State Railways. It is important to note that in future of quadruplicate procedure with VT funds will only be made after obtaining a concurrence of the Italian Government.

7. In connection with imported supplies (markings VB) furnished to Italy under the 100-million dollar program (Category C) and thereafter transferred to Venezia Giulia, the same requirements will be followed, except that the shipment was made from

- 3 -

14

Supply Accountant, VIII Corps, triplicate to Transportation Sub-Commission, and the other triplicate will be retained in his files.

9. The Supply Accountant in Venezia Giulia will maintain separate accounting records, where applicable, for:

- (a) Combined Military Responsibility Supplies (Category A);
- (b) Troop Pay Etc. Supplies (Category B); and
- (c) WFA Programmed Supplies (Category C).

Statements of stock movements, schedules of imports, schedules of transfers of supplies received, and schedules of sales of supplies will be rendered separately for each of the three categories. Schedules of sales supporting the statement of stock movements under categories (a), (b) and (c) will show the respective quantities issued and the sales values according to geographical sub-divisions, Gorizia, Trieste, and Pola. Sales in Udine should be recorded separately.

Harlan Cleveland
HARLAN CLEVELAND,
Acting Vice President.

Distribution:

Distribution "A"

Port Liaison Officers (20 copies)

Supply Accountant VIII Corps (3)

War Shipping Administration (5)

Istituto Nazionale per il Commercio Estero (4)

Federazione Italiana dei Consorzi Agrari (4)

Ufficio Centrale Carboni della Direzione Generale

delle Ferrovie dello Stato (4)

Ministero del Tesoro (4)

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117

C
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P
Y

British Embassy,
ROME.

28th November 1945.

715/57/45 CD

DEC 3 1945

Dear Admiral:

114
Thank you for your letter of the 14th November (reference 13106/P) enclosing copies of letters addressed by you to the American Ambassador and the Assistant Chief of Staff, G-5, A.F.H.Q., regarding the Italian Government's new plan for export financing.

We have no legislation in the United Kingdom which would affect this programme. I know that the United States Customs Law provides for the application of counter-vailing duties, but there is no parallel legislation in England.

Yours very sincerely,

(s) Noel Charles

Rear-Admiral Ellery W. Stone, U.S.N.R.,
Chief Commissioner,
Allied Commission Headquarters,
APO 394.

Copies to: Exec Comm
Finance S/O

2631

(PAJ H)

HEADQUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
AWO 294

13214/Y

30 November 1945

DEC 1 1945

My dear Mr. Ambassador:

1. I refer to your letter of 5 April 1945, informing me that the Italian net troop expenditure account had been credited with a total of 100 million dollars through 31 December 1944, and to my letter 13214/Y of 9 April, with copy to you, in which I conveyed this information to the President of the Council of Ministers.

2. The recently resigned Minister of the Treasury, Senatore Federico Ricci, indicated in an official press statement on 28 November 1945, that the Italian net troop expenditure account has now been credited with a total of 150 million dollars, although he did not indicate what period of time is covered by this amount. I cannot find, however, that the Allied Commission has received official advice of any addition to the account for periods of time subsequent to 31 December 1944.

3. It is most desirable that the Allied Commission be informed concurrently with the Italian Government as further credits are placed at the disposal of the Italian Government in the net troop expenditure account, as the data are needed both by my financial advisers in their consideration of the Italian foreign exchange position and by the officers of the Economic Section handling supply problems, in their discussions with the Italian Government regarding the programming of imported supplies.

4. I should be grateful if you could ascertain the present balance in the net troop expenditure account as well as the period covered by the present credit, and if arrangements could be made with Washington for notification to the Allied Commission as soon as any future credits are made.

ELLMY F. STONE,
Rear Admiral, USNR,
Chief Commissioner

The Honorable Alexander Kirk.

My dear Mr. Ambassador:

1. I refer to your letter of 3 April 1945, informing me that the Italian net troop expenditure account had been credited with a total of 100 million dollars through 31 December 1944, and to my letter 12214/7 of 3 April, with copy to you, in which I conveyed this information to the President of the Council of Ministers.

2. The recently resigned Minister of the Treasury, Senator Federico Ricci, indicated in an official press statement on 28 November 1945, that the Italian net troop expenditure account has now been credited with a total of 150 million dollars, although he did not indicate what period of time is covered by this amount. I cannot find, however, that the Allied Commission has received official advice of any addition to the account for periods of time subsequent to 31 December 1944.

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4. I should be grateful if you could ascertain the present balance in the net troop expenditure account as well as the period covered by the present credit, and if arrangements could be made with Washington for notification to the Allied Commission as soon as any future credits are made.

The Honorable Alexander Kirk,
U.S. Embassy
Rome

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

MILTON W. STONY,
Rear Admiral, USNR,
Chief Commissioner

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(114)

13106/P

14 November 1945

NOV 14 1945

My dear Sir Noel:

1. I attach for your information copies of letters I have addressed to the American Ambassador and the Assistant Chief of Staff, G-5, AFHQ, regarding the Italian Government's new plan for export financing, which involves surcharging imports and granting an exchange premium on exports.

2. It is my thought that you may wish to consider whether this program would be affected by any United Kingdom legislation similar in nature to the U.S. legislation providing for countervailing duties under certain conditions.

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE,
Rear Admiral, USNR,
Chief Commissioner.

See 117-

See in 117- 2628

His Excellency Sir Noel Charles,
British Embassy,
Rome.

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(MISS SAMPRSON)

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F. C. H. I. N. C. M. E. S. A. S. S.
MEMORANDUM FOR THE COMMISSION

Originator's Reference File 2556

DATE/TIME of origin NOV 10/1235 A

Message Center No: 0/3110

DATE TIME Rec'd NOV 12/1130

PROCESSED: ROUTINE

FROM: THE SECRETARY OF THE TREASURY

NOV 13 1945

TO: MEMBERS FOR THE COMMISSION; THE COMMISSION OFFICES WITHIN THE FOR IN CO, OFFICE
LAW, ALSO WIDE

RESTRICTED

This is L. E. 950.

Subject is Italian Government proposed import and export financial policy.

Surcharging imports and granting exchange premium on exports. (1) Italian Government desire to retain present lire/foreign currency exchange rates. (2) To encourage export they propose to adopt a increased coefficient for all goods and all countries. (3) Coefficient to be fixed presently at 100% thus paying exporter 200 lire for every dollars worth of export. (4) Same coefficient would be applied to all imports to bring prices of imported goods nearer level of ruling home market prices. (5) Receipts and disbursements arising from application of coefficient to be accounted for in "Foreign trade fund" (6) Favorable balance in "Foreign trade fund" to be used for (a) subsidizing essential imported goods sold in open market if deemed necessary. (b) partial re-absorption into circulation with a view to lowering home market prices nearer foreign market levels. (7) Coefficient to be reduced if and when home market prices approach foreign market prices. (8) Have you any objections?

NOTE

Action direction - 1000 Dec 11

OSG (6)

Supply Group

Program Dr.

Regulation Dr. (3)

ATTACHMENT 1 - 1000 Dec 11

785017

This is LIA 950.

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and all countries. (3) Coefficient to be fixed presently at 100% thus paying

exporter 200 lire for every dollars worth of export. (4) Same coefficient would

be applied to all imports to bring prices of imported goods nearer level of

ruling home market prices. (5) Receipts and disbursements arising from

application of coefficient to be accounted for in "Foreign trade fund." (6)

Favourable balance in "Foreign trade fund" to be used for (a) subsidizing essential

imported goods sold in open market if needed necessary. (b) partial re-absorption

into circulation with a view to lowering home market prices nearer foreign market

levels. (7) Coefficient to be reduced if and when home market prices approach

foreign market prices. (8) Have you any objections?

LIST

Action Direction - Leon Sec II

OSG (6)

Supply Group

Foreign Br.

Requisition Br. (3)

Advance Copies to

Commerce SC 2

Finance SC

Food-Loric SC 2

Ind. Utilities SC 3

TS SC 2

Info

Chief Commissioner

Exec Comm 2

CO Br. Emb

CA US Emb

Gen. Home

NOTE

File

2623

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(111)

HEADQUARTERS ALLIED COMMISSION
APC 394
ECONOMIC SECTION

9 November 1945

NOV 12 1945

TO : Distribution List 'A'.

The two attached documents are distributed for the
information and guidance of all concerned.

Harlan Greenwald
HARLAN GREENWALD
Acting Vice President

Encls. - 2
Note: Harbula (As. Embassy)
(British Embassy)

13/11

See M. 112 2627

785017

to 1 Distribution List 'X'.

The two attached documents are distributed for the information and guidance of all concerned.

Handwritten signature
HARLAN CLEVELAND
Acting Vice President

Encls. 2
Note: Yehiaie (Mr. Subany)
(British Embassy)

4/13/11

See M-112

2627

MISS JAMESON
(copy)

NOTE VERBALE

The American Embassy presents its compliments to the Royal Ministry of Foreign Affairs and, upon instructions from the Department of State, offers the following reply to the Ministry's communication of January 9, 1945 (No. 66274), transmitting a memorandum of the same date regarding the economic and financial situation of Italy. The present communication will also serve as a reply to the letter of June 1, 1945 addressed to the Allied Commission for the American Ambassador by the President of the Council of Ministers, concerning the provision of credits to the Italian Government to meet urgent recovery needs.

The Government of the United States is keenly aware of the economic problems which confront the Italian Government, among them the budget deficit which it faces, the inflation of domestic prices, the deficit in its external payments position and the urgent need of Italy to receive supplies. It is the earnest desire of the United States Government to cooperate to the fullest extent possible in aiding in the solution of Italy's problems.

The Royal Ministry's memorandum of January 9, 1945, above referred to, raises the following three fundamental problems:

- (1) The deficit in Italy's external payments position
- (2) The settlement to be reached between Italy and the United States in connection with various claims arising out of the war;
- (3) The budgetary deficit of the Italian Government and the problem of controlling inflation in Italy.

With reference to the first of these problems, Italy's basic import requirements for civilian supplies have been and continue to be met by the combined supply programs of the United States, United Kingdom and Canada. These requirements will be met next year by the United Nations Relief and Rehabilitation Administration, if the additional funds which were recently requested by the UNRRA Council are furnished by the participating Governments. The provision of such aid in the near future would make it unnecessary to obtain a credit, such as was requested in the letter of June 1 from the President of the Council of Ministers, for the financing of the most essential imports. It is recognized that the Italian Government also faces the problem however of financing the importation of urgently needed supplies for reconstruction purposes, not included within the scope of the UNRRA program. With respect to that problem, the United States Government has a sympathetic understanding of the reconstruction needs of European countries and its policy is to provide assistance, whenever possible and appropriate, in meeting those needs. In the case of Italy the United States Government is prepared to discuss with the Italian Government representatives for example, through the

Commission for the American Ambassador by the President of the Council of Ministers, concerning the provision of credits to the Italian Government to meet urgent recovery needs.

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Export-Import Bank. Loans are made by the Export-Import Bank for specific projects, as the Italian Embassy in Washington has been informed, and those who apply for loans from the Export-Import Bank must therefore be prepared to furnish detailed information concerning the specific projects contemplated and the source from which repayment of loans is expected.

With respect to the second problem, the matter of reimbursement for Article issues and for requisitioning by the United States armed forces in Italy is related intimately to the financial settlement which will ultimately be made with regard to claims arising out of the war and also to the obligation of the Italian Government to pay for civilian supplies furnished to Italy. It is therefore expected that these matters will be taken up in connection with the treaty of peace.

The third fundamental problem, regarding the internal financial situation in Italy, cannot be solved by external measures alone. The control of inflation in Italy involves internal measures and controls as well as the supply of an adequate volume of essential goods from abroad. The United States Government can be of assistance only in enabling the Italian Government to obtain necessary imports, but such help cannot alone provide a solution for inflation and the general financial breakdown which threatens Italy.

It is therefore of highest importance that prompt and stringent measures be taken by the Italian Government to control money and credit and to eliminate the inflationary process. It is equally important, however, to ensure that the Italian Government mobilizes and improves the efficiency of the taxation system, thereby to meet appropriate monetary measures and that it take steps to ensure the most efficient use of funds expended. Insured as a prompt reordering of the internal financial situation is of utmost importance in restoring normal foreign trade and financial relations, the United States Government hopes that the Italian Government will be able to take more positive action in the future than it has in the past to increase the effectiveness of controls to combat inflation.

Rome, October 29, 1945.

To the Royal Ministry of Foreign Affairs,
Rome.

WALSHAM/ab/c

W74

(To the Royal Ministry of Foreign Affairs)

British Embassy,
Rome.

Note Verbale No. 239.

103/17/15.C.D.

1st November 1945.

NOTE VERBALE

While fully recognizing the gravity of the economic and financial situation in Italy, His Majesty's Government cannot accept the suggestion in the Italian memorandum of 9th January, that it is the result of the requirements of the Allied Armed Forces which have been fighting for the liberation of Italy, Allied military expenditure in Italy has been far less than the inflationary deficits of the Italian Government and it is in the latter that the most obvious dangers lie. Furthermore, His Majesty's Government and the United States Government have been providing Italy with very considerable imports for civilian consumption on credit terms, the immediate effect of which is substantially to offset Italy's obligations under the Armistice. No acknowledgment of these important supplies is made in the Italian memorandum.

2. As regards the terms of the Armistice, the Italian Government undertakes to provide free of charge such Italian merchandise as the United Nations will require. His Majesty's Government, therefore, cannot accept the argument that the Italian contribution to the cost of the war against Germany is limited by the Armistice to any particular class of services in Italy. As the Italian Government knows, this does not mean that the wide powers taken by the United Nations will be used as a pretext for placing unreasonable burdens on Italy. The contributions to the human cause made by liberated Italy and the Italian partisans are fully taken into account. But His Majesty's Government see no purpose in entering into legalistic argument based on the Armistice terms.

3. The Italian Government do not explain how in their view the foreign currency credits for which they asked might possibly have an indirectly beneficial influence on the raising of an internal loan. Owing to the concentration of the British production of essential war supplies, which leaves no margin for export over and above what is required to pay for urgent needs imports, such credits could not be regarded as the United Kingdom at present as converted into the imports which Italy needs and could therefore be of little real benefit. As regards the Italian Government's credit, it is His Majesty's Government's hope that the Italian Government will now be able to obtain on its own merits the support of all sections of the country for a vigorous programme of economic and financial reconstruction. Limited foreign credits could cover only a very small proportion of the funds required and His Majesty's Government are glad to learn that the Italian Government has now issued a large loan which has been fully subscribed and which does not rely upon foreign currency guarantees.

4. On the other hand the financial situation in Italy calls for ²⁶²⁵ internal measures which should aim at bringing the Italian economy into an efficient state capable of resisting the strain imposed by the shortage of supplies. The inflationary trend in Italy is greatly accentuated by the maldistribution of available food and other necessary supplies, by the flourishing black market and by the inability of the Italian Government to collect an adequate revenue. It is to be hoped that Italy must look first of all for some alleviation of her pressing economic and financial difficulties and it would be most dangerous to allow the impression to arise that external

Government have been providing Italy with very considerable imports for civilian consumption on credit terms, the immediate effect of which is substantially to offset Italy's obligations under the Armistice. No acknowledgment of these important supplies is made in the Italian memorandum.

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3. The Italian Government do not explain how in their view the foreign currency credits for which they asked might possibly have an indirectly beneficial influence on the raising of an internal loan. Owing to the concentration of the British production of essential war supplies, which leaves no margin for exports over and above what is required to pay for urgent needed imports, such credits could not as regards the United Kingdom at present be converted into the imports which Italy needs and could therefore be of little real benefit. As regards the Italian Government's credit, it is His Majesty's Government's hope that the Italian Government will now be able to obtain on its own merits the support of all sections of the country for a vigorous programme of economic and financial reconstruction. Limited foreign credits could cover only a very small proportion of the funds required and His Majesty's Government are glad to learn that the Italian Government has now issued a large loan which has been fully subscribed and which does not rely upon foreign currency guarantees.

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5. As the Italian Government knows, His Majesty's Government desire to see the Italian economic and financial situation restored and are willing to help to the extent permitted by their many commitments both during the war and in respect of relief in the post-war period. They are taking steps to remove trade with Italy and are allowing her the use of her post-liberation sterling account. They could not, however, add to their heavy liabilities at the present time, even if it appeared that the credits asked for by the Italian Government would be of any material assistance at this stage.

785017

No.

M. S. LUSH

May 2/1
XHLNOTE VERBALE

NOV 8 1945

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The Royal Ministry's memorandum of January 9, 1945, above referred to, raises the following three fundamental problems:

- (1) The deficit in Italy's external payments position;
- (2) The settlement to be reached between Italy and the United States in connection with various claims arising out of the war;
- (3) The budgetary deficit of the Italian Government and the problem of controlling inflation in Italy.

With reference to the first of these problems, Italy's basic import requirements for civilian supplies have been and continue to be met by the combined supply program of the United States, United Kingdom and Canada. These requirements will be met next year by the United Nations Relief and Rehabilitation Administration, if the additional funds which were recently requested by the UNRRA Council are furnished by the participating Governments. The provision of such aid in the near future would make it unnecessary to obtain a credit, such as was requested in the letter of June 1 from the President of the Council of Ministers, for the financing of the most essential imports. It is recognized that the Italian Government also faces the problem however of financing the importation of urgently needed supplies for reconstruction purposes, not included within the scope of the UNRRA program. With respect to that problem, the United States Government has a sympathetic understanding of the reconstruction needs of European countries and its policy is to provide assistance, whenever possible and appropriate, in meeting those needs. In the case of Italy the United States Government is prepared to discuss with the Italian Government representatives

/the provision

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the provision of funds for reconstruction needs, for example, through the Export-Import Bank. Loans are made by the Export-Import Bank for Specific projects, as the Italian Embassy in Washington has been informed, and those who apply for loans from the Export-Import Bank must therefore be prepared to furnish detailed information concerning the specific projects contemplated and the source from which repayment of loans is expected.

With respect to the second problem, the matter of reimbursement for AM-line issues and for requisitions by the United States armed forces in Italy is related intimately to the financial settlement which will ultimately be made with regard to claims arising out of the war and also to the obligation of the Italian Government to pay for civilian supplies furnished to Italy. It is therefore expected that these matters will be taken up in connection with the treaty of peace.

The third fundamental problem, regarding the internal financial situation in Italy, cannot be solved by external assistance alone. The control of inflation in Italy involves internal measures and controls as well as the supply of an adequate volume of essential goods from abroad. The United States Government can be of assistance only in enabling the Italian Government to obtain necessary imports, but such help cannot alone provide a solution for inflation and the general financial breakdown which threatens Italy.

It is therefore of highest importance that prompt and stringent measures be taken by the Italian Government to control wages and prices and to eliminate the black market. It is equally important, toward increasing revenues, that the Italian Government modernize and improve the efficiency of the taxation system, that it adopt appropriate emergency tax measures and that it take steps to assure the most efficient use of funds expended. Inasmuch as a prompt reordering of the internal financial situation is of utmost importance in restoring normal foreign trade and financial relations, the United States Government hopes that the Italian Government will be able to take more positive action in the future than it has in the past to increase the effectiveness of controls to combat inflation.

Rome, October 29, 1945.

To the Royal Ministry of Foreign Affairs,
Rome.

HFA:nsworth/eh/rg

HGA

copy to: Chief Clerk
- Carlson
- Egan Lee (2)

2023

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RESTRICTED

PX 30005
OCT 241611AG/2008
OCT 251930A
ROUTINE

SIGNED SACRED CI E PHPBT FOR ANPB

AGWAR INFO ALCOM. PET SEC RAAC. US AND BR EMBASSIES

RESTRICTED

Dispatch ANPB 051730 October 1945 and cable PX 30005, 22nd October refer. Recommend action not be taken to reduce slate dues Italian program pending ALCOM study of use YT funds for excesses and ANPB receipt of comprehensive study Italian position and October-January slate for Italian national program now being dispatched. Coordinated with G-5.

List

Info-Action - Requis Div 2
Info - Chief Commissioner
Exec Commr 2
Econ Sec 2
Commerce SC
Industry 2
Tr 2
Air SC
Navy SC
L Forces SC
File

HEADQUARTERS

24 OCT 1945

A. C.

m/c note.

This is corrected copy.

RESTRICTED

(CAPT WHITE)

FA
29/10

INCOMING MESSAGE

Originator's Reference: F50203
Date/Time of Origin: OCT 24 1610A

Message Centre No: G/2009
Date Time Rec'd: OCT 25 1930A
Precedence: IMPORTANT

FROM: AMHQ SIGNED SIGNED CITE PHC30 PHINT

TO : RAC INFO ALCOM, PET SEC RAC, US, BRITISH EMBASSIES

PASTHICTED.

Item 1. Paraphrase of AMB cable 220130 October to PET SEC AFHQ follows:

1. AMB cable 051730 October 1945 refers to financial responsibility FEA for Italian program thru US military channels October through January which is limited to 4 million 6 hundred thousand dollars based on MOC 258.

2. PET SEC stated requirements approximate 6 million split civil 5 million, military 1 million or an excess to MOC 258 of 1 million 4 hundred thousand.

3. Percentage reduction being made to stated requirements to 4 million 6 hundred thousand - details follow.

4. Request ALCOM and Embassies be informed. Increases must be strongly justified and ALCOM must insure use of YT funds to cover excesses over 4 million 6.

Item 2. Suggest coordination ALCOM, PET SEC RAC and Embassies on reply through COM-MOC series in support of AMHQ cable F55005 dated 22nd October 1945 and ALCOM inspect possibility use of YT funds to cover excesses as stated therein.

DIST

INFO-ACTION: Requis Div 2
INFO: Chief Commissioner
By Commissioner 2

2623

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RESTRICTED.

Item 1. Paraphrase of ANPB cable 220130 October to PET SEC AFHQ follows:

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Item 2. Suggest coordination ALCOM, PET SEC AFHQ and Embassies on reply through COM-MOC series in support of AMQ cable FX50005 dated 22nd October 1945 and ALCOM inspect possibility use of YT funds to cover excesses as stated therein.

DIST

INFO-ACTION: Requis Div 2
INFO: Chief Commissioner
Ex Commissioner 2
Exon Sec 2
Comptrol SC
Industry SC 2
Tr. SC 2
Navy SC
Air SC
L Forces SC
File

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76 OCT 1945

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See 1103

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FX 50205

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ROUTINE

SIGNED SIGNED CITE FHPET

ACTION ADVAR FOR AMP INFO ALOOM, FITSUGRAAC, USEMBASSY, BRITEMBASSY

25 1945

RESTRICTED.

Dispatch ANPB 051730 October 1945 and cable FX 50005, 22 October refer.

Recommend action not be taken to reduce TDLAT* dues Italian program pending ALOOM study of FUSEP YT* funds for excesses and ANPB receipt of comprehensive study Italian position and October-January slate for Italian national program now being dispatched. Coordinated with G-5.

*As enciphered, service pending.



LIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Ex Commissioner 2
Ecgn Sec 2
File

(M/C Note: No record of quoted reference)

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FX 50069
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OCT 251230A
ROUTINE

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ACTION ALL MAT ADDRESSEES INFO HQ ALCON ROME

HEADQUARTERS
25 OCT 1945
A. C.

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This is MAT 934.

Details procurement procedure requested TAM 689 follow.

DOCAT resources must first be approved for Allied acquisition as surplus to minimum civilian requirements. Procurement is then by requisition or cash payment in accordance theater directives. In summary, cash payment is resorted to only as matter of expediency to insure continuing supply essential goods and services, and procurement by requisition is used to maximum extent practicable. Cash payment prohibited in case of (1) public property; (2) communications, transportation, and utilities; (3) private moveable property except in case of small day to day procurement, or where individual hardship results from nonpayment, or where necessary operationally or to assure continued supply; (4) real estate and all fixed assets including plant and machinery.

Handling of requisitions and unpaid bills. (1) real estate requisitions are generally settled by Italian Army engineers. (2) Other requisitions and unpaid bills are transmitted to Italian treasure through ALLIED COMMISSION by Fiscal Director MTOUSA for U.S. Forces and British Deputy Chief Paymaster for British Forces. Receipt of items is acknowledged by Government who we understand is making full or partial cash settlement at least in some instances. Total amount expended to approximately end September by U.S. Army for local procurement goods

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See 76 193

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(FX 50069 cont'd)

and services about 10000 million Lire. Total priced unpaid bills and requisitions passed by U.S. Forces to Italian treasury approximately 780 million Lire. No basis for estimate total unpaid requisitions so passed, or total bills still not presented to U.S. Forces by public figures for British Army being collected.

DIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Ex Commissioner 2
Esch Sec 2
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Float

(M/C Note: No trace of TAM 689)

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