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10000/109/865
(VOL. IV)

10000/109/865
(VOL. IV)

MONTHLY REPORT, FINANCE SUB.-COM.
MAR., APR. 1946

~~Ex~~ Ex Comm. 65.

Finance Monthly Report for April is at folio 61-63. Passages of interest have been marked

2/5 G. McM. J.S. 2/5

3/5

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necessary relation to the latter document. I [illegible] is the C.C.'s view that we should report any recommendations made to G-5 in our Monthly Reports, so that CCS may see the general lines of our financial thinking, even though G-5 may not forward our recommendation in their original form.

2. As regards the point that the listed recommendations may not reflect the views of ALCOM as a whole, all of these recommendations received the concurrence of the Chief Commissioner, and one (para. H, 2, (d)) was initiated by him.

B.C.L. Timmons
Lt. Col.
CFA
3057

6 April, 1944

65

~~CSO~~ A/C.C.

Please see min 64

This refers to ~~[illegible]~~ min # 62 JHS 814 recommendation in their original form.

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Lt. Col.
CFA.
3057

6 April, 1944

65

~~CSO~~ A/C.C.,
Please see min 64
This refers to ~~[illegible]~~ min # 62 J.H. 8/4

C.F.A.,

66.

Certainly agree that we should repeat recommendation already made but not initiate ~~new~~ recommendations in the monthly report. [illegible] 8/4

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noted B E L Timmons, Lt. Col. CFA

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~~C.S.O.~~ to Comm,

For your information, folios – 6 to 60.

St. 2/4.

A.S. 2/4 16.

62

I don't like recommendations being included in monthly reports which have a wide, and extra theatre, circulation. It is conceivable that the recommendations made in para 2 may not reflect the views of the Commission as a whole, ~~Any~~ & their publication now prejudges the issue

3056A

3/4

63

Econ Sect.

Please see min 62 above.

StH
5/4/46

64

To: Executive Commissioner

1. The Chief Commissioner has directed ~~that~~ relevant recommendations made by ALCOM to G-5 or CCS be mentioned in Finance monthly Reports. For example,

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

the recommendations made in para 2 may not reflect the views of the Commission as a whole, & their publication now prejudges the issue

3056A

[initials] 8/4

63

Econ Sect.

Please see min 62 above.

[initials] 5/4/46

64

To: Executive Commissioner

1. The Chief Commissioner has directed ~~that~~ relevant recommendations made by ALCOM to G-5 or CCS be mentioned in Finance monthly Reports. For example, our famous letter on "Reorientation of Allied Financial Policy Toward Italy", to AFHQ, was reproduced in full in the January Report by express direction of the C.C. All of the recommendations listed in para. H, 2, of Finance's March Report were made either to G-5, or by them to CCS, before the receipt of FAN 650, and do not bear any

4603 CA

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HEADQUARTERS ALLIED COMMISSION
ECONOMIC SECTION
FINANCE BRANCH
APO 394

13071/F

1 May 1946

MAY 1 1946

SUBJECT : Monthly Report for April 1946.

TO : Executive Commissioner.

Herewith for your information, is copy of the Monthly Report of the Finance Branch, Economic Section for April 1946.

B.E.L. [illegible], Lt. Col.
Director, Finance Branch
Economic Section.

Encl.

3050

See Min 65

(I. DRAL)

PA 4/5

SECRET SECRET 63

HEADQUARTERS ALLIED COMMISSION
APO394
ECONOMIC SECTION
FINANCE BRANCH

Ref: No. 13071/F

30 April, 1946

REPORT OF THE FINANCE BRANCH,
HQ ALCOM, FOR APRIL, 1946.

Lt. Col. B.E.L. TIMMONS - Director and Chief Financial Adviser to the Chief Commissioner

MAJOR FINANCIAL DEVELOPMENTS

A. Currency Agreement Under FAN 583

1. With reference to para. A, 4 of the Report of this Branch for March, 1946, we were advised by CCS (in FAN 757), through AFHQ, that in view of the various circumstances enumerated by the Banca d'Italia, permission was granted to commence as from 15 March, 1946, the billing for the printing and transportation costs of AM lire utilized by the Allied Forces under the Currency Agreement. CCS thus approved the recommendation made in MAT 1002 that the billing date be postponed from 1 February, 1946, to 15 March, 1946.

2. The Banca d'Italia was advised of the foregoing.

3. This change in billing date in no way affects the other provisions of the Currency Agreement, which entered into force as of 1 February, 1946.

4. The supply of Metropolitan lire to the Allied Forces in Italy under the terms of the Currency Agreement has proceeded without any difficulties or delays.

B. Memorandum by the Italian Government on the Economic and Financial Questions Connected with the Peace Treaty

1. During April the Italian Government submitted to the Council of Foreign Ministers in London a document entitled "Memorandum of the Economic and Financial Questions Connected with the Peace Treaty".

2. The main purpose of the memorandum is to counter any claims for reparations from Italy that may be advanced by any of the United Nations. The main lines of argument are two :

3055

(a) as a cobelligerent, fighting at the side of the Allies, Italy

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2. The main purpose of the memorandum is to counter any claims for reparations from Italy that may be advanced by any of the United Nations. The main lines of argument are two :

(a) as a cobelligerent, fighting at the side of the Allies, Italy suffered extensive material losses and damage;

(b) the present state of the Italian economy is such that Italy needs all of her industrial equipment and current output to rebuild her economic structure and increase her exports in order that she may buy in the world markets her essential imports.

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

3. [illegible], [illegible] following [illegible]:

(a) Features of the Italian Economy
(b) War Damages
(c) Italian Contribution to the United Nations' War Effort
(d) Italian Claims on Germany
(e) Italian Contribution to the Development of Ethiopia and Albania
(f) Italian Assets Abroad.

C. Italian Foreign Exchange Position

1. During April it was widely reported in the American and Italian press that the U.S. Government had under consideration the granting to Italy of that portion of the Suspense Account which is the dollar equivalent of the lire expended in Italy by the U.S. Army for the purchase of local goods and services. It will be remembered that the net troop expenditure portion of the Suspense Account has already been made available to the Italian Government as a credit.

2. However, ALCOM has as of this date received no official word regarding the rumored new credit. It has been unofficially estimated that the amount involved, were the credit to be granted, would be some 110-120 million dollars.

D. Italian Exchange Rates

We were notified by the Italian Ministry of the Treasury that on 10 April, 1946, the official rate of exchange between the lira and the Belgian franc has been altered to 2.2817 lire equal one Belgian franc. The former rate was 2.2845 lire equal one franc. OCS was so advised.

E. Repayment of Pre-Armistice Debts by Italian Government

1. On 25 March, 1946 we received from the Ministry of the Treasury a routine report on foreign exchange operations, which included the following item : on 21 February, 1946, a payment of 125,000 pounds sterling to the London branch of the Credito Italiano, for debt repayment.

2. An immediate request was made by us to the Ministry for full details of the transaction. No reply was made to ALCOM until 17 April, 1946, when a letter of explanation was received.

3. The liquidation in 1940 of the London branch of the Credito Italiano left a deficit of some 125,000 pounds sterling. The Ministry states it authorized the payment of this debt because the position of the Credito Italiano was involved. The Ministry made no statement as to why ALCOM was not consulted

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4. It appears clear that the payment in question comes within the scope of para. 3 of PAN 583 and should, therefore, have been referred to ALCC for prior approval, which was not done. ALCC in turn is directed by PAN 583 to consult CCS. The matter was referred to G-5, AFHQ, with the suggestion that it may be laid before CCS with a request for any further instructions they may wish to give.

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F. Upkeep of German State Property in Italy

1. Certain German State property in Italy (Embassy and Consulate buildings, etc.) is being administered by the Italian Government acting as trustee for the four Governments represented on the Allied Control Council for Germany. The Italian Government has raised the question of who is to bear the cost of such administration. This question was put to the Foreign Office by the British Embassy in Rome, and the reply was received that in the view of the Foreign Office the cost should not be borne by the Italian Government, as it was felt that such payment might prejudice the Allied title to the property. The Foreign Office suggested that the Italian Government be informed that it would be reimbursed for the administrative costs, either by a foreign exchange credit, or out of liquid German State assets in Italy.

2. The British Embassy was advised that the Allied Commission has at the present time no authority to approach the Italian Government along the lines suggested by the Foreign Office. A CCS directive to ALCOM would be required before we could inform the Italian Government that their expenses of managing German State property located in Italy will be reimbursed in one of the two ways suggested. All liquid German State assets in Italy have been seized by ALCOM upon CCS direction and may not be disposed of except by specific CCS authority. Similarly, as ALCOM does not dispose of any dollar or sterling foreign exchange, we could not state to the Italian Government that they would receive a dollar/sterling credit for any purpose, unless we had received specific CCS authority thus to commit the US/UK Governments. Accordingly, a CCS directive is needed before ALCOM would be in a position to take either step suggested by the Foreign Office. It was therefore recommended to the Embassy that they reply to the Foreign Office, suggesting that the question be taken up with the State Department, in order that an agreed CCS directive may be sent to ALCOM through AFHQ.

G. Procurements of Supplies in Italy by Allied Military Forces in Germany and Austria

1. The Italian Government has raised with ALCOM the question of receiving foreign exchange credits for (a) the lire expenditures of Allied military personnel stationed in Germany and Austria who visit Italy on leave; and (b) purchases in Italy of supplies by Allied military forces located in Germany and Austria.

2. As regards the expenditures of Allied military personnel, the President of the Council of Ministers indicated that such lire currency are bought from banks or on free markets outside Italy and imported by military personnel. On the U.S. side, it was suggested to G-5, AFHQ, that enquiries be made of the Fiscal Director, MTOUSA, to determine what arrangements govern the exchange of Austrian schillings and German [illegible] Germany. [illegible] Italy from Austria and [illegible]

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it was recommended that the problem be brought to the attention of the
War and Treasury Departments by the Fiscal Director, as it is clearly
the intention of the net troop expenditure account that all lire out-
payments by U.S. military personnel accrue to the Italian Government
as dollar credits, and it would appear immaterial whether the personnel
involved are stationed in Italy or are on leave here. Analytically, the
dollars involved would be transferred from the Austrian Suspense Account
on the books of the U.S. Treasury to the Italian Suspense Account, and
then from the latter account to the Italian Net Troop Expenditure Account;
the actual book-keeping entries could no doubt be easily prescribed by the
U.S. Army Finance Department, if not already in effect. It was also recom-
mended that steps should be taken to prevent Allied military personnel
from importing into Italy lire purchased from banks or on the open market.

3. As regards the British side, it is assumed that the question of
sterling credits for the lire expenditures of British troops from Austria
is inseparable from the larger question of sterling credits for the lire
expenditures of British troops in Italy, which the Italian Government has
from time to time raised with the British Government. The difficulty on
the British side is of course that no sterling credits are being made
available to the Italian Government for British troop expenditures
in Italy.

4. A financial problem does arise regarding purchases in Italy by
the U.S. forces in Germany and Austria. It had been understood from Office
of Military Government for Germany (U.S.) and HQ, USFA, that the U.S.
Military Government Authorities in Germany and Austria were prepared to
pay Italy with appropriated dollar funds for purchases made here. It was
indicated that arrangements for the crediting of an Italian account in
the U.S. would be worked out and notified to us. However, we now learn
that U.S. Army purchasing officers are coming to Italy with dollar checks
which they are instructed to cash for lire with U.S. Army Finance Dis-
bursing Officers in order to obtain the currency with which to effect
purchases. It will be appreciated that the effect of such a procedure
will be to charge U.S. purchases for Germany and Austria as an occupation
cost against the Italian Government and that there will be no current
dollar accruals to the Italian Government. It is possible that arrange-
ments have been made in Washington to segregate such transactions between
U. S. Army Finance Officers, and to set up a credit to the Italian Govern-
ment, but we have not heard of any such arrangements.

5. The Italian Government are expecting that current dollar payments
will be made for exports of fruits, vegetables, etc, and they may be
reluctant to license such exportations if dollars are not forthcoming.
We have therefore requested a policy decision from G-5, AFHQ, as to how
the mechanism of payment is to function. Previously AFHQ had ruled that
no current foreign exchange accruals would be required for military exports
from Italy to Germany and Austria, but that a record would be kept of such [illegible] by the willingness

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6. British forces in Austria and Germany have not indicated any parallel willingness to pay for Italian purchases in sterling, and it is therefore assumed that AFHQ's ruling, to the effect that no current foreign exchange payments will be required for military exports, still stands, and that purchases for Austria and Germany may be effected with lire drawn from British Army Paymasters in Italy.

H. Finance Reports

1. As a historical note, it may be recorded that this Report concludes three years of reports by the Finance Branch (formerly Finance Sub-Commission)

2. The first report was compiled in November, 1943, and covered the period May, 1943, through October, 1943. Since that time the reports have been published at the end of each month, covering the period immediately preceding.

[illegible], Lt. Col.
Director, Finance Branch
Economic Section.

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

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SECRET SECRET 60

HEADQUARTERS ALLIED COMMISSION
ECONOMIC SECTION
FINANCE BRANCH
APO 394

APR 1 1946

13071/F

1 April 1946

SUBJECT : Monthly Report for March 1946.

TO : Executive Commissioner.

Herewith for your information, is copy of the Monthly Report of the Finance Branch, Economic Section for March 1946.

BEL Timmons
B.E.L. TIMMONS, Lt. Col.
Director, Finance Branch
Economic Section.

Encl.

See Min 61-62, 64-66 + 67

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SR 2/4.
(MARSH)

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SECRET SECRET

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION
FINANCE BRANCH

APR 1 1946

Ref: No. 3071/F 31 March, 1946

REPORT ON THE FINANCE BRANCH,
HQ ALCOM, FOR MARCH, 1946.

Lt.Col. B.F.L. TIMMONS - Director and Chief Financial Adviser to the Chief Commissioner

MAJOR FINANCIAL DEVELOPMENTS

A. Reorganization of Economic Section

1. On 1 March, 1946, a final separation was effected between ALCOM and U.N.R.R.A., and Economic Section ceased to participate in the civilian supply operations, which had been U.N.R.R.A.'s responsibility since January 1, 1946.

2. Upon this reduction of functions, the Economic Section was reorganized, the Finance Sub-Commission becoming the Finance Branch. The Director of Finance Branch assumed in addition duties as Deputy Vice-President, Economic Section.

B. Currency Agreement Under FAN 583

1. The final phase in the implementation of the Currency Agreement began on 15 March, 1946, which was the date fixed for the Allied Forces to shift over from the use of new AM lire to the use of Metropolitan lire. The Banca d'Italia supplied the required amounts and denominations of Metropolitan lire, and the operation has proceeded smoothly.

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2. With reference to the letter from the Banca d'Italia, dated 5 February, 1946, on the Currency Agreement (reproduced at Appendix "A" to the Report of Finance Sub-Commission for

REPORT OF THE FINANCE BRANCH,
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2. With reference to the letter from the Banca d'Italia, dated 5 February, 1946, on the Currency Agreement (reproduced at Appendix "A" to the Report of Finance Sub-Commission for February, 1946), and to paragraphs 2 (a) and 3 (a) of Finance Sub-Commission's reply (also reproduced in Appendix "A" to the February Report), the following information was received from CCS and transmitted to the Banca d'Italia:

(a) Total of AM lire printed.

(i) Allied Military Lire currency printed stocks on hand in sheet form with first press operation only. Completed are:

92.106.336 notes 1 lira denomination
3.757.392 notes 2 lire
126.912 notes 5 lire

1.245.744 notes 10 lire
749.592 notes 50 lire
1.387.260 notes 100 lire
380.832 notes 500 lire
21.544 notes 1000 lire.

(ii) In addition overprinted stocks on hand with notes denominated out numbered are:

32.610.080 notes 1 lira denomination
21.208.704 notes 2 lire
7.318.848 notes 5 lire
3.506.928 notes 10 lire
2.501.768 notes 50 lire
9.815.020 notes 100 lire
2.362.456 notes 500 lire
3.364.592 notes 1000 lire.

All above figures also include amount of currency spoiled and mutilated in process. 3022

(iii) Amount of Lira shipped was:

82.240.000 notes 1 lira denomination
73.792.000 notes 2 lire
134.976.000 notes 5 lire
135.872.000 notes 10 lire
143.592.000 notes 50 lire
260.000.000 notes 100 lire
67.790.000 notes 500 lire
73.300.000 notes 1000 lire.

This equals a grand total of L 142.643.024.000 and reconciles with Allied Financial Agency Figures as follows:-

As per statement of AFA a/c	L. 141.387.392.000 (1)	
Lost at sea	720.960.000 (2)	
Lost in air crash	534.632.000 (")	See note
Pilfered on ship	40.000 (")	
	L. 142.643.024.000	

Note: (1) Gross figure - not after adjustment of shortages and/or overages.

(2) These three items not taken on to AFA's books as not received in Italy altough shipped from USA.

(b) Amount of Lire on hand boxed and available for shipment is 9.688.000 notes 2 lire denomination, representing 151 boxes printed in

7.378.848 notes 5 lire
3.906.928 notes 10 lire
2.601.768 notes 50 lire
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	L. 142.643.024.000		

Note: (1) Gross figure - not after adjustment of shortages and/or overages.
(2) These three items not taken on to AFA's books as not received in Italy altough shipped from USA.

(b) Amount of Lire on hand boxed and available for shipment is 9.668.000 notes 2 lire denomination, representing 151 boxes printed in excess of amount ordered; and amounts ordered but not requested for shipment are:

59.962.000 notes 5 lire denomination in 937 boxes
16.000 notes 10 lire representing odd quantities
19.308.000 notes 50 lire denomination in 509 boxes.

(c) Last printing of AM Lire was completed 26 February, 1945.

3. AFHQ requested CCS, in MAT 1009, to hold temporarily the unshipped AM lire notes pending determination over an initial period of operation of the Banca d'Italia's ability to provide all currency requirements of the Allied Forces.

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

4. The only open question under the Currency Agreement is the request of the Banca d'Italia to have the billing of the printing and transport cost of any AM lire utilized under the Currency Agreement begin as of 15 March, 1946, rather than 1 February, 1946. This request was conveyed to CCS in MAT 1002 of 28 February, 1946, to which no reply has been received. Allied Financial Agency reported to AFHQ that the issue of AM lire to the Allied Forces in the period 1 February - 28 February, (inclusive) amounted to 746 2/8 boxes which when billed at $ 111.89 per box, establishes a charge of $ 83,497.91 (FAM 720 refers). Advice is being requested by AFA from G-5, AFHQ, as to whether the bill for February should be submitted now to the Banca d'Italia or withheld pending a reply to MAT 1002.

C. Italian Exchange Rates

1. The Minister of the Treasury decided to modify, as from 3 March, 1946, the Danish crown rate of exchange, which has now been fixed at 20.8505 lire equal 1 Danish crown.

2. During March the Council of Ministers announced the adoption of a new foreign exchange policy whereby 50 % of current foreign exchange accruals will be left at the free disposition of the exporter. Exporters may use such amounts for the purchase of goods abroad or may sell their exchange to other Italian importers. Two general restrictions have been announced:

(a) the commodities that can be purchased with the retained exchange will be limited to a list to be published.

(b) the retained exchange must be utilized within a given time-period.

Detailed comment on the proposal must await examination of the relative decree, which has not yet been published. 3050

D. Issues of Currency to National Delegations on ALCOM

1. The Soviet Representative on ALCOM had, for the 4th quarter of 1944 and the 1st, 2nd, 3rd, and 4th quarters of 1945, drawn a maximum amount of 7,500,000 lire per quarter. Para. 3 of FAM 707 dated 10 October, 1945, [illegible]

blishes a charge of $ 83,497.91 (TAM 720 refers). Advice is being requested by AFA from G-5, AFHQ, as to whether the bill for February should be submitted now to the Banca d'Italia or witheld pending a reply to MAT 1002.

C. Italian Exchange Rates

1. The Minister of the Treasury decided to modify, as from 3 March, 1946, the Danish crown rate of exchange, which has now been fixed at 20.8500 lire equal 1 Danish crown.

2. During March the Council of Ministers announced the adoption of a new foreign exchange policy whereby 50 % of current foreign exchange accruals will be left at the free disposition of the exporter. Exporters may use such amounts for the purchase of goods abroad or may sell their exchange to other Italian importers. Two general restrictions have been announced:

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Detailed comment on the proposal must await examination of the relative decree, which has not yet been published. 3050

D. Issues of Currency to National Delegations on ALCOM

1. The Soviet Representative on ALCOM had, for the 4th quarter of 1944 and the 1st, 2nd, 3rd, and 4th quarters of 1945, drawn a maximum amount of 7,500,000 lire per quarter. Para. 3 of TAM 707 dated 30 October, 1945, instructed that these advances should continue on the same basis as heretofore.

2. For the first quarter of 1946 the Soviet Representative requested the amount of 25,000,000 lire. Only 7,500,000 lire was made available to the Soviet Representative and his request for an additional 17,500,000 lire was referred to G-5, AFHQ, and by them to CCS in MAT 974. Later, at the time the military rate of exchange was altered, the Soviet Representative requested an additional 9,375,000 lire (i.e., 125 % of 7,500,000 lire).

3. CCS replied to MAT 974, approving the position taken by ALCOM, and directing that the Soviet Representative be informed that quarterly advances to the National Delegations to the Allied Commission will be limited to amounts not in excess of the maximum quarterly amounts previously drawn by the USSR Delegation. It is the agreed policy of the United States and United Kingdom Governments to moderate the burden of the Armistice Terms and it is not possible to issue lire in unrestricted amounts in view of the US/UK concern for the Italian economy. For this reason, Allied Commission expenditure which is ultimately chargeable to the Italian Government must be restricted to the minimum necessary for the personal expenditures of the individuals concerned. This will be estimated on a uniform basis and at a reasonable and generous rate per head, but drawings will be limited to the maximum previous drawings over a period of time, as set out above. ALCOM was also directed to explain to the Soviet Representative that under the terms of the Currency Agreement recently concluded with the Italian Government, the latter is responsible for the issue of all Italian currency including currency required by the Allies. Should his Delegation require amounts of currency over and above the amounts which the Allied Commission is authorized to supply, he should utilize the normal banking remittance channels which were especially authorized for his benefit. Alternatively, he could approach the Italian Ministry of the Treasury direct for any further currency he might need over the amounts supplied to him by ALCOM. It was also stated to the Soviet Representative for his information that the expenses of the National Delegations to the Advisory Council for Italy are not chargeable to the Italian Government under the Armistice, since the Advisory Council for Italy was not set up under the Armistice Terms, but under the Moscow Declaration of October, 1943.

E. Allied Financial Agency.

1. The transfer of the Allied Financial Agency to G-5, AFHQ, is awaiting only War Office approval of the W/E. The U.S. T/O has been approved. Beginning with the month of March AFA will render its own reports direct to AFHQ.

2. AFA's chief remaining task is to act as a channel for the supply of currency by the Banca d'Italia to the Allied Forces and to complete the AFA accounts.

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2. AFA's chief remaining task is to act as a channel for the supply of currency by the Banca d'Italia to the Allied Forces and to complete the AFA accounts.

3. There are three major policy questions which remain to be decided with respect to the work of AFA. These are:

(a) the disposition of the AFA accounts, including the sequestrated enemy State and Army funds - our detailed recommendations were submitted to CCS in our memorandum 13002/F of 3 October, 1945, in which G-5, AFHQ, concurred. No reply has yet been received.

(b) the disposition of the gold taken into AFHQ custody at La Fortezza, Italy, in May, 1945 - the various memoranda, prepared by the Banca d'Italia in support of its claim to this gold were forwarded by us to G-5, AFHQ, and by G-5 to CCS. We were advised by G-5 on 21 February, 1946, that CCS had stated no decision on the disposition of the gold had yet been reached.

(c) the disposition of the sequestrated non-lire property (foreign currencies, coins, etc.) - instructions were requested from CCS as to the disposition of their property in NAF 784 of 26 June, 1945. CCS replied in FAN 555 of 8 August, 1945, that no decision had been reached.

B. Reorientation of Allied Financial Policy Toward Italy

1. A reply was received in March from AFHQ in reply to the Chief Commissioner's letter - 13018/F of 15 January, 1946, on the above subject (Text of letter appears in January report).

2. AFHQ stated that in their view the ACFC recommendation for the reorientation of Allied Financial policy toward Italy is one which should be placed before the Allied Governments through Embassy channels rather than presented to CCS by SACMED. This statement by AFHQ was brought to the attention of the U.S. and British Ambassadors by the Chief Commissioner with the request that, if they were in agreement with the recommendation he should be grateful if they could bring it to the attention of their Governments.

C. Financial Treatment of Captured Enemy Material

1. In NAF 862 of 4 August, 1945, a policy decision was requested of CCS on the financial treatment of captured enemy material of Italian and German origin being released to the Italian Government against receipt. AFHQ recommended in NAF 862 that no charge be made, in view of original Italian ownership in many cases and in view of Italy's inability to pay in foreign exchange.

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2. CCS replied to NAF 862 in FAN 702 of 5 March, 1946, stating that approval was given to the recommendation that

requested from CCS as to the disposition of their property in MAT 384 of 26 June, 1945. CCS replied in FAN 585 of 8 August, 1945, that no decision had been reached.

5. Reorientation of Allied Financial Policy Toward Italy

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2. AFHQ stated that in their view the ALCOM recommendation for the reorientation of Allied financial policy toward Italy is one which should be placed before the Allied Governments through Embassy channels rather than presented to CCS by SACMED. This statement by AFHQ was brought to the attention of the U.S. and British Ambassadors by the Chief Commissioner with the request that, if they were in agreement with the recommendation he should be grateful if they could bring it to the attention of their Governments.

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2. CCS replied to MAT 862 in FAN 702 of 5 March, 1946, stating that approval was given to the recommendation that no charge be made for captured or surrendered German war material of Italian origin. CCS directed, however, that in the case of captured German war material of German origin released to the Italian Government, the Italian Government should be informed that future settlement may be required for such material.

8. Remaining Controls and Functions Under FAN 583, FAN 701, and FAN 702

1. FAN 583 has now been completely implemented. However, there are certain controls and restrictions imposed on the

Italian Government by the CCS directive, which still remain in force. These are:

(a) an obligation on the part of the Italian Government to maintain an effective foreign exchange control, and to adopt measures in support of the international economic objectives of the Allied Governments. (para. 2 A and B of FAN 583).

(b) an obligation on the part of the Italian Government to render fortnightly reports of all foreign exchange transactions (para. 2 of FAN 583)

(c) a restriction against direct remittances from neutral countries to Italy (para. 5 of FAN 583)

(d) a restriction requiring prior CCS approval of all repayments of foreign debts which arose before 8 September, 1943 (para. 3 of FAN 583).

(e) ~~The Allied Commission is obligated, by para. 7 of FAN 583, to report to CCS any Italian Government financial policies which may be prejudicial to Allied interests.~~ 30 B

2. In our view the following disposition of these functions should be made:-

(a) the supervision of para. 2 A and B of FAN 583 should wholly pass to the US/UK Embassies, upon which the primary responsibility was placed by FAN 583.

(b) it has been recommended to G-5, AFHQ, that the reports required by para. 2 of FAN 583 now be discontinued, as it is felt that the foreign exchange policy of the Italian Government can be adequately followed without detailed reports.

(c) it has already been recommended to CCS that the remittance restriction described in para. 1 (c) be lifted (see MAT 956 of 27 November, 1945, to which no reply has been received.).

(d) it has been recommended to CCS that the supervision of the debt repayment restriction be transferred to the US/UK Embassies (see MAT 964 of 11 December, 1945, to which no reply has been received).

(e) It has been recommended to G-5, AFHQ, that the financial reporting function laid down in para. 7 of FAN 583 be transferred to the US/UK Embassies.

(c) a restriction against direct remittances from neutral countries to Italy (para. 5 of FAN 583)

(d) a restriction requiring prior CCS approval of all repayments of foreign debts which arose before 8 September, 1943 (para. 3 of FAN 583).

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(e) It has been recommended to G-5, AFHQ, that the financial reporting function laid down in para. 7 of FAN 583 be transferred to the US/UK Embassies.

3. There are two other specifically financial functions imposed by CCS directives. These are:

(a) the reporting of exchange rate changes (FAN 701) It has been recommended that this function pass to the US/UK Embassies.

(b) supervision of the restriction against the sending of transactional commercial and financial correspondence from Italy to the "enemy world" (defined

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in TAN 702 as including Germany, Austria, Japan, and, for the time being, Manchuria, Korea, and Formosa.

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Economic Section.

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