

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

ACC

10000/109/889

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

10000/109/889

YUGOSLAV TRADING ACTIVITIES
AUG. 1945 - OCT. 1946

23

TO: Executive Commissioner

1. Attached at folio 22^A is a revised draft of subject letter for your approval.

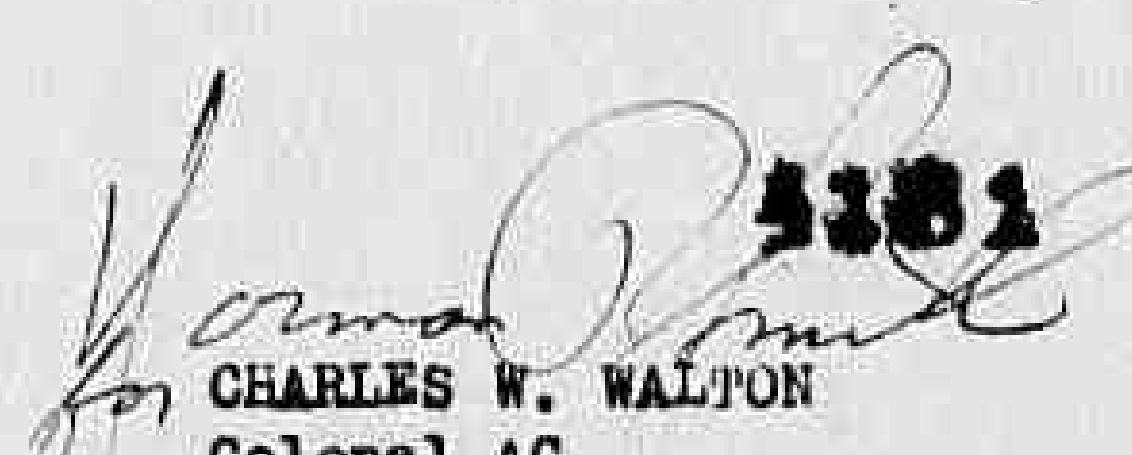
2. The major changes were made as follows:

a. It is felt that it is not advisable to state an assumption of what the proceeds from sale of Yugoslav products will be used for. Therefore, recommend all reference to the currency angle (paragraph 1 folio 22a) be eliminated.

b. The second sentence of paragraph 2 folio 22a, makes reference to channelling "all business". In draft at 22b, this term "all business" is more definitely defined.

c. The second sentence paragraph 2, the phrase "through the organizations mentioned above" is changed to definitely designate the organization through which subject correspondence should be channelled.

14 March 1946
Economic Section

for  4181
CHARLES W. WALTON
Colonel AG
Acting Vice President

25
Chief Commissioner

Submitted for signature.

MS (1873)

WALTON RECD
10 2 5

32

Executive Commissioner

APW 8/10/46

action taken on Folio 29 as
indicated by 30 and 31, originals
of which are filed in E.S.
H. M. Walker
Col.

Exclm

For info per ①

also 3/8

1. i/f

③

Let us find out more about para 3

4180

NR/31a.

27

also

⑧

Ref. per ⑤ please see ~~my~~ action taken
by Navy Sp. in per ⑤.

also 12/9 12/16

⑬

CSO - Folio 10-12 for info. further report expected

Emm 279 12/16

See See

22.

you comments on the draft at 22a

Let us find out more about this
27
XX/3/12

8
Rep. from ⑤ please see ~~my~~ action taken
by Mary E. in Paris ~~10-12-12~~

CSO 5/2/9 17/16

~~13~~ (13)

CSO - 10-12-12 for info. further report expected

CSO 2/19 17/16

See See: 22.
you comments on the death of 222
are invited - letter from CSO to 222-venezia
Giulia at 22 refer. 18 2/3

4621

31

Copy

R

MEU/cc

HEADQUARTERS ALLIED COMMISSION
APO 794
Economic section

OCT - 9 1946

Ref.

7 October 1946

SUBJECT: Currency Infractions - Seizure of Goods

TO: The Italian Ministry of Foreign Commerce

1. Reference your letter Prot. no. 257101 dated 21 September 1946.

2. Allied Military Government at Trieste has been advised to continue the seizure of Italian goods purchased by Yugoslav Firms until a decision is made by the Ministry's Commission for currency infractions.

3. It is requested that such decision be rendered with the least practicable delay to this Headquarters so that Allied Military Government, Trieste, may be properly advised.

Thur
M. CARL
Brigadier
Acting Vice President

See 7 29

Copy

(CAPT R)

PA
afib.

4621

30

C
O
P
Y

HEADQUARTERS ALLIED COMMISSION
APO 794
Economic Section

OCT - 9 1946

Ref.: 11.11

7 October 1946

SUBJECT: Currency Infractions - Seizure of Goods

TO : Hq. Allied Military Government
Venezia Giulia

1. This Headquarters is in receipt of a letter from the Italian Ministry of Foreign Commerce indicating that Allied Military Government at Trieste has seized a quantity of Italian merchandise purchased in the Milan market by Yugoslav firms with Italian money of unknown origin. (See attached list of merchandise.)

2. It is requested that the above seizures by A.M.G. Trieste be continued until the Italian Ministry of Foreign Commerce has received a report from its Currency Commission regarding the alleged irregularities and currency infractions.

3. Your Headquarters will be advised immediately upon receipt of the decision from the Italian Ministry of Foreign Commerce.

FOR THE CHIEF COMMISSIONER:

Wm
M. CARH
Brigadier
Acting Vice President

1 Enclosure - Merchandise list

See 7.29

Copy

(CAPT W)

98/9/46

785017

4621. 4

29

TRANSLATION

21 Sept 46

MINISTRY OF THE FOREIGN COMMERCE

SEP 21 1946

Ref: 257101

Subject: Seizure of goods.

1. The Inspection Service of Italian Exchange Office (Trieste Section) as a result of ascertained irregularities committed by Italian firms together with Yugoslav firms, in the matter of currency and foreign exchanges, has seized the goods listed herewith.
2. The irregularities consist in the purchase of Italian goods in the Milan market, by Yugoslav firms and paid for by Italian banknotes of unknown origin, and in the attempt to export the above mentioned goods, without the prescribed ministerial authorization.
3. The goods therefore have been seized on the authorization of AMG of Trieste, who however, have recently stated that they do not consider it opportune to keep the said goods under seizure.
4. The Ministry of the Treasury on being approached by the Italian Exchange Office, informed the said Allied Authorities, that the seizure could not be removed until the respective responsibilities have been proved.
5. AMG of Trieste has replied that in order to continue the seizure in question, it is necessary to obtain the approval of Allied Commission in Rome.
6. This Ministry, therefore, requests the A.C. to give instruction AMG of Trieste to continue the seizure until such time as the consulting commission for currency infraction, has given its decision.
7. This Ministry will see to it that this decision shall be given without delay.
8. We remain in expectation of hearing the decision on this matter by your Commission

THE MINISTER

EC Dist - 24/9/46
actions Econ Sec (with Italian copy & lists)
H C C
EC (4621/EC)

(left R)

EC
This looks as though
you should support
the Italian side. EWS CC

See 30, 31 & 32

276
9/10

785017

ALLIED [REDACTED] COMMISSION
INTER-OFFICE MEMORANDUM

SUBJECT:

TO

Polad A.
Polad B.
Executive Commissioner. ✓

26th April. 1946
APR 26 1946

Attached is a copy of the letter handed in to this Section by Dr. Smolaka's representative on the evening of 25th April 1946 about which I spoke to Polads this morning.

Since discussing this matter generally with Dr. Smolaka's representative on the 25th, a telephone message has been received from Dr. Smolaka's office asking us to take no action at the moment as they are making further enquiries about the whole matter.

It was agreed with Polads that the appropriate action for us to take in this case was to send a copy of the letter to the Ministry of Grace and Justice (with a copy to the Ministry of Marine) for action and to inform Dr. Smolaka of the steps taken.

ME
M. GARR, Brigadier
VP. CA. Section.

ASB
(COPY K)

PA
26/3

JUGOSLAV DELEGATION TO THE
ADVISED COUNCIL FOR ITALY.

25 April 1946.

BR.549/46

COPY

Subject: Yugoslav S/S "DRAVA"

To: Headquarters Allied Commission.

1. By agreement made between the British and the Yugoslav Government the British Ministry of War Transport handed over to the Yugoslav Ministry of Marine S/S "DRAVA" in Genoa on 18 April 1946. S/S "DRAVA" Gross tonnage 3508 is property of the "Jugoslavenska Oceanska Plovidba d.d. Susak" and was handed over by Mr. G.C. Shakespeare, representative of the British Ministry of War Transport, to Capt. Jure Suzanic Assist Maritime Attache of the Yugoslav Delegation.

As the ship previously was in possession of the British Ministry of War Transport, so it is now in possession of the Yugoslav Government, used for humanitarian purposes.

2. S/S "DRAVA" arrived to Leghorn on 20 April 1946, accordingly to the order of the Yugoslav Government, to load DURGA goods and to leave urgently for Jugoslavia.

But, on request of an alleged creditor, the "Essex Line Ltd." against the owner of the ship, "Jugoslavenska Oceanska Plovidba d.d. Susak", the President of Tribunal in Genoa ordered that S/S "DRAVA" be stopped and informed about it the UNRRA Office at Leghorn. Thus it is not possible to load the ship, in spite of the circumstance that the presumed credits of the "Essex Line Ltd." are ensured by a maritime mortgage.

3. The decision of an Italian Tribunal, based on the Private Right and directed against the "Jugoslavenska Oceanska Plovidba d.d. Susak" which company is not even in detention of the ship, has no power towards the Yugoslav Government, actually in possession of the ship, on basis of the public right.

4. S/S "DRAVA" has to leave urgently Leghorn with the UNRRA load for Jugoslavia.

The Yugoslav Public opinion would hardly justify any attempt of the Italian Authorities to impede the departure for Jugoslavia of a ship loaded with UNRRA assistance, needed urgently.

5. The Yugoslav Delegation requests therefore that the a/m decision of the President of Tribunal in Genoa be annulled and that the Port Authorities, the UNRRA office and the o/c S/S "DRAVA" in Leghorn be informed by cable about action taken in order to make

1. By agreement made between the British and the Yugoslav Government the British Ministry of War Transport handed over to the Yugoslav Ministry of Marine S/S "DRAVA" in Genoa on 18 April 1946. S/S "DRAVA" Gross tonnage 3508 is property of the "Jugoslavenska Oceanska Plovidba d.d. Susak" and was handed over by Mr. G.C. Shakespeare, representative of the British Ministry of War Transport, to Capt. Jure Suzanic Assistant Maritime Attache of the Yugoslav Delegation in London.

As the ship previously was in possession of the British Ministry of War Transport, so it is now in possession of the Yugoslav Government, used for humanitarian purposes.

2. S/S "DRAVA" arrived to Leghorn on 20 April 1946, accordingly to the order of the Yugoslav Government, to load UNGRA goods and to leave urgently for Yugoslavia.

But, on request of an alleged creditor, the "Essex Line Ltd." against the owner of the ship, "Jugoslavenska Oceanska Plovidba d.d. Susak", the President of Tribunal in Genoa ordered that S/S "DRAVA" be stopped and informed about it the UNGRA Office at Leghorn. Thus it is not possible to load the ship, in spite of the circumstance that the presumed credits of the "Essex Line Ltd." are ensured by a maritime mortgage.

3. The decision of an Italian Tribunal, based on the Private Right and directed against the "Jugoslavenska Oceanska Plovidba d.d. Susak" which company is not even in detention of the ship, has no power towards the Yugoslav Government, actually in possession of the ship, on basis of the public right.

4. S/S "DRAVA" has to leave urgently Leghorn with the UNGRA load for Yugoslavia.

The Yugoslav Public opinion would hardly justify any attempt of the Italian Authorities to impede the departure for Yugoslavia of a ship loaded with UNGRA assistance, needed urgently.

5. The Yugoslav Delegation requests therefore that the a/m decision of the President of Tribunal in Genoa be annulated and that the Port Authorities, the UNGRA office and the c/o S/S "DRAVA" in Leghorn be informed by cable about action taken in order to make clear that there is no more hamper for S/S "DRAVA" leaving Leghorn.

6. Since the considerable damage is increasing every day that S/S "DRAVA" has to spend waiting in Leghorn, the Yugoslav Delegation supplies herewith for a most urgent action.

7. You are courteously requested to inform us about measures taken.

(SIGNED) DR. SLOVEN J. JACOLAKA
Deputy Representative of Yugoslavia.
Advisory Council for Italy.

785017

4621 96

26.

HEADQUARTERS ALLIED COMMISSION
ECONOMIC SECTION
APO 394

13091/P

16 March 1946

SUBJECT : Clandestine Traffic with Yugoslavia.

TO : ~~Ministry of Foreign Affairs.~~

1. Reference your memorandum 6/1049/481
of 5 March, 1946.

2. The technical details are now under
discussion between the Ministry of Foreign Trade,
the Ministry of Finance, and AMG Venezia Giulia.
Our letter 13091/P of 28 February also refers.

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

B. E. L. TIMMONS, Lt. Col.
Deputy Vice President
Economic Section.

Copy to: Executive Commissioner
(your 4621/19/EC of 7 March refers)

BELT/mc.

H.
(Hug H)
19/3/46

PH. 12
19/3/46

785017

HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

Ref: 4621/24/30 ✓

18 March 1946

My dear Mr. Prime Minister,

I have received a report from my Senior Civil Affairs Officer in Venezia Giulia which stated that there is evidence of commercial transactions, particularly in coal, between Yugoslavia and Italian business concerns, being made without reference to Allied Military Government or, in his opinion, to the Italian Authorities. In his report he cited three examples of cargoes of Arsa coal being unloaded at Treviso, Udine and Venice during February.

I am sure you will agree that trade between Italy and Yugoslavia must be regulated by some sort of compensation agreement if this abuse is to be prevented. Machinery has been set up in Allied Military Government territory for this purpose. I would be grateful if, in order to prevent the continuation of these abuses, you would consider channelling all business with the Yugoslavs (whether from zone B of Venezia Giulia or Yugoslavia proper) regarding import or export licenses through AMG XIII Corps, pending the establishment of a proper compensation agreement. Exception should be made on cases involving exportation of Reserved Commodity List items which under present procedure are referred to Allied Commission for clearance.

I would appreciate your comments on this proposal as soon as possible as I feel sure you wish to eradicate all forms of black marketing as swiftly as possible.

Yours very truly,

WILLIAM W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Alcide De Gasperi
President of the Council of Ministers
Italian Government
Rome.

Copy to: Econ. Sec.
AMG Venezia Giulia.

12/4.

see 1725

P.A.

785017

~~SECRET~~HEADQUARTERS
ALLIED MILITARY GOVERNMENT
13 CORPS~~SECRET~~

TELEPHONE No.: 29794 Ext 45.

Date: 5 Mar 46

REFERENCE No.: 130/AMG/EC.10/296.

SUBJECT: Trading with the Yugoslavs.

TO: HQ Allied Commission.

See 22B.

MAR 7 1946

1. There is evidence that commercial transactions, particularly in coal, between Yugoslavia and Italian concerns are being made without reference to this HQ or (we believe) that of the Italian Authorities.

The following are recent examples :-

- (a) Thirteen barges holding a total of approximately 3000 tons of ARSA coal were in process of unloading on 27th Feb at a wharf in NEISA, TREVISO.
- (b) Approximately 300 tons of ARSA Coal are lying, partly in rail cars and partly on wharf, at PORTO NOVARO, UDINE. (This coal has been blocked by AMG UDINE).
- (c) The Transportation L.O. VENICE reported to an Officer of this HQ that 1400 tons ARSA Coal has arrived in the Port of Venice during February.

2. Since the Italian Currency thus provided is probably used either to finance political activities opposed to the interests of AMG (and incidentally the Italian Government as well) or to finance unauthorized purchases of supplies not declared surplus by the Italian Authorities, it is requested that this matter be brought to the attention of the Italian Government for action by them.

3. Clearly trade between Italy and Yugoslavia must be regulated by some sort of compensation agreement if this sort of abuse is to be prevented. However since we understand that technically a state of war exists as between Yugoslavia and Italy, no such agreement would appear possible.

4. Machinery has however been set up in this territory for such compensation business. It is submitted therefore in

(MISS)

see M 22 to 23 + 724

20

order to prevent the continuance of the abuses above mentioned that the Italian Government be asked to channel all business with the Yugoslavs (whether from Zona 'B' of Venezia Giulia or Jugoslavia proper) through the organisations set up here, pending the establishment of a proper compensation agreement of their own.

5. May this matter be raised with the Italian Government on the highest level as soon as possible as these "black" trades are causing us considerable embarrassment.

6. For your information only we can tell you that we have evidence that the Yugoslav Government are now in the greatest financial difficulty being quite unable to procure the necessary lire to pay their substantial debts for electricity, port charges, etc. and the closing of these irregular channels of procuring lire will force them to trade openly with us and supply coal, firewood and timber in exchange for goods, power and services received, on a proper basis.

H.P.F. Robertson
Lt

DSE/dje

H.P.F. ROBERTSON,
Colonel,
Acting Senior Civil Affairs Officer.

4101

Copy to : 'B' 13 Corps.

4101

19

018

Ref. : 4621/19/EG

7 March 1956

SUBJECT: Clandestine Traffic with Yugoslavia

TO : Economic Section

18

1. Forwarded herewith is Ministero degli Affari Esteri Memorandum dated 5 March 1956.

2. Please take the necessary action and notify this office of action taken.

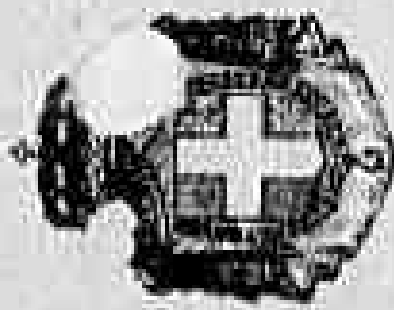
SPH

Brigadier,
Executive Commissioner.

See F-25

4200

L



Ministero degli Affari Esteri

MEMORANDUM FOR THE ALLIED COMMISSION

Subject: Clandestine traffic with Yugoslavia.

1. Reference is made to this Ministry's memorandum dated February 14th, 1946.
2. The kind attention of the Allied Commission is called to the letter by the Italian Ministry of Foreign Trade no 70406, dated February 19th, 1946, addressed to the Commerce Sub-Commission in the matter of the technical details concerning the proposed control of traffics in Venezia Giulia.
3. The Ministry for Foreign Affairs thank in advance the Allied Commission for their interest in the matter and for the courtesy of an early reply. A

Rome, March 5th, 1946

See 19

MEMORANDUM FOR THE ALLIED COMMISSION

Subject: Clandestine traffic with Yugoslavia.

1. Reference is made to this Ministry's memorandum 6/103/1946 dated February 14th, 1946.
2. The kind attention of the Allied Commission is called to the letter by the Italian Ministry of Foreign Trade n° 70406, dated February 19th, 1946, addressed to the Commerce Sub-Commission in the matter of the technical details concerning the proposed control of traffics in Venezia Giulia.
3. The Ministry for Foreign Affairs thank in advance the Allied Commission for their interest in the matter and for the courtesy of an early reply. A

Rome, March 5th, 1946



See 19

Dec 7-25

9/19/46
(Hoyt H)

785017

HEADQUARTERS ALLIED COMMISSION
ECONOMIC SECTION
AFC 394

13091/R

28 February 1946

SUBJECT : Clandestine Exports of Commodities to
Yugoslavia.

TO : The Ministry for Foreign Affairs.

1. I refer to your memoranda 6/769/361 of 14 February, 1946, and 6/799/379 of 16 February, 1946.
2. AMG Venezia Giulia is presently engaged in establishing a system of control over the movement of commodities across the Morgan Line. This control will be administered by AMG Venezia Giulia.
3. In para. 8 of your 14 February memorandum you raise the question of export licenses for goods entering Zone "A" from Italy proper. This matter has already been the subject of my letter 13062/R of 24 January, 1946, to the Minister of Finance, to which a reply is awaited.

~~Harlan Cleveland~~

HARLAN CLEVELAND
Acting Vice President
Economic Section

Copies to:
" Executive Commissioner
BEET/EC-4621/EC dated 20
February 1946 refers).
" Ministry of the Treasury.

SPH
11/3/46
(MASH)

PH-1
SPH
2

785017

16

Ref: 4621/83

20 February 1946

SUBJECT: Clandestine Exports of Commodities to Yugoslavia.

TO : Economic Section.

14 15

1. Forwarded herewith are Memoranda from the Ministero degli Affari Esteri dated 14 and 16 February 1946 on the above subject.
2. Please take appropriate action and notify this office of action taken.

For the Chief Commissioner,

SIMEON R. HOLMES

Brigadier
Executive Commissioner

see 17

PA
2/2
[Signature]

[Signature]

Ministero degli Affari Esteri

MEMORANDUM FOR THE ALLIED COMMISSION

Subject: Clandestine traffic with Yugoslavia.

1. Reference is made to this Ministry's memo 6/762/361 dated February 14th, 1946, relative to clandestine traffic with Yugoslavia, and to the request to take into consideration the advisability of instituting a strict Custom control along the Morgan line and also at the likely landing points along the shore.
2. It has recently been reported to this Ministry that the Yugoslav occupation lire issued in zone "B" are accepted also in zone "A". It is also known that the ruling black market exchange rate is of 70 Italian or AM-lire for 100 Yugoslav occupation lire and that rumour is widespread in the district that a certain value will be recognized to the Yugoslav occupation lire.

3. The above information goes to confirm the contents of the memorandum under reference and the need of instituting a severe traffic control.

4. The clandestine currency traffic besides being "per se" highly detrimental to the Country's economics, supplies further evidence of the existence of unauthorized transfers of commodities.

5. The Ministry for Foreign Affairs are confident that the Allied Commission - whose benevolent attitude on the occasion of the issue of the Istrian lire was highly appreciated - will give to the above problem their most serious attention and will agree that the only practical means of avoiding the repetition and the growth of similar occurrences lie in the institution of an effective Custom control.

6. The Ministry for Foreign Affairs thank in advance the Allied Commission for their interest in the matter and for the courtesy of an early reply.

14
Subject: Clandestine traffic with Yugoslavia.

1. Reference is made to this Ministry's memo 6/769/361 dated February 14th, 1946, relative to clandestine traffic with Yugoslavia, and to the request to take into consideration the advisability of instituting a strict Custom control along the Morgan line and also at the likely landing points along the shore.
2. It has recently been reported to this Ministry that the Yugoslav occupation lire issued in zone "B" are accepted also in zone "A". It is also known that the ruling black market exchange rate is of 70 Italian or Am-lire for 100 Yugoslav occupation lire and that rumour is widespread in the district that a certain value will be recognized to the Yugoslav occupation lire.
3. The above information goes to confirm the contents of the memorandum under reference and the need of instituting a severe traffic control.
4. The clandestine currency traffic besides being "per se" highly detrimental to the Country's economics, supplies further evidence of the existence of unauthorized transfers of commodities.
5. The Ministry for Foreign Affairs are confident that the Allied Commission - whose benevolent attitude on the occasion of the issue of the Istrian lire was highly appreciated - will give to the above problem their most serious attention and will agree that the only practical means of avoiding the repetition and the growth of similar occurrences lie in the institution of an effective Custom control.
6. The Ministry for Foreign Affairs thank in advance the Allied Commission for their interest in the matter and for the courtesy of an early reply. *A*

Rome, February 16th, 1946

See 16-17

1 June 1947

Ministero degli Affari Esteri

MEMORANDUM FOR THE ALLIED COMMISSION

FEB 16 1948

Subject: Clandestine exports of commodities to Yugoslavia.

1. Reports have repeatedly reached the Ministry for Foreign Affairs concerning a considerable clandestine traffic of commodities which are being sent to Yugoslavia, both by sea or across the Morgan Line, to the detriment of Italian resources.

2. The Ministry for Foreign Affairs had already the occasion to draw the Allied Commission's attention to similar clandestine shipments to Albania and received the assurance that an effective custom control has been established on the coastal districts of the Southern Adriatic which are under Allied Administration.

3. As far as the trafficking with Yugoslavia is concerned, the Ministry for Finance has endeavored to enlist the intervention of the Finance Sub-Commission emphasizing the need for a strict supervision along the Morgan line be put into effect.

4. One of the essential conditions for the recovery of Italian economics is admittedly that of preventing diversions of wealth and for this reason a systematic control on foreign trade has been put into force, in agreement with the Allied Commission, so as to balance every export with a corresponding purchase of goods or of foreign currency. The aforesaid clandestine exports are instead devoid of counterpart, payment being effected in Italian lire already circulating in the Country or illegally imported therein.

5. It is thus self-evident that they are frustrating the aims regulating foreign trade, to the manifest and noticeable detriment of the Country's economics.

6. In consideration of the premises the Ministry for Foreign Affairs should be grateful to the Allied Commission if a strict custom control could be instituted as it was done to fight the

Subject: Clandestine exports of commodities to Yugoslavia.

1. Reports have repeatedly reached the Ministry for Foreign Affairs concerning a considerable clandestine traffic of commodities which are being sent to Yugoslavia, both by sea or across the Morgan Line, to the detriment of Italian resources.
2. The Ministry for Foreign Affairs had already the occasion to draw the Allied Commission's attention to similar clandestine shipments to Albania and received the assurance that an effective custom control has been established on the coastal districts of the Southern Adriatic which are under Allied Administration.
3. As far as the trafficking with Yugoslavia is concerned, the Ministry for Finance has endeavored to enlist the intervention of the Finance Sub-Commission emphasizing the need for a strict supervision along the Morgan line be put into effect.
4. One of the essential conditions for the recovery of Italian economics is admittedly that of preventing diversions of wealth and for this reason a systematic control on foreign trade has been put into force, in agreement with the Allied Commission, so as to balance every export with a corresponding purchase of goods or of foreign currency. The aforesaid clandestine exports are instead devoid of counterpart, payment being effected in Italian lire already circulating in the Country or illegally imported therein.
5. It is thus self-evident that they are frustrating the aims regulating foreign trade, to the manifest and noticeable detriment of the Country's economics.
6. In consideration of the premises the Ministry for Foreign Affairs should be grateful to the Allied Commission if a strict custom control could be instituted as it was done to fight the illicit traffic to Albania. Said rigorous control of the goods and commodities crossing the Morgan line or being landed along the shore ought to be performed possibly with the assistance of the Italian Custom Authorities and of the Italian Custom police (Guardie di Finanza), who would be willingly prepared

p.t.c.

See 516

(may H)

to offer their collaboration.

7. It is reminded in this connection that whilst the agreement signed on June 20th 1945 by the Chief of Staff of the Supreme Allied Command M.T.O. and by the Chief of Staff of the Supreme Command of the Yugoslav Army stipulates that the economic interchange between Zone "A" and Zone "E" is not to be disturbed (Art. 8, paragraph 4, comma 3), it provides for a "control sufficient to prevent unauthorized transfers of supplies"; a control which is actively carried out by the Yugoslav Authorities to stop the outflow of assets from the territories administered by them.

8. Concerning the authorizations to be issued for the goods originating from the Provinces administered by the Italian Government, and for the necessary liaison between the A.M.G. of Trieste and the competent Italian organs, it is suggested that the Istituto per il Commercio Estero could appoint one of its Officials who would be deputed to the A.M.G. to carry out the liaison.

9. The Ministry for Foreign Affairs thank in advance the Allied Commission for their kind interest in the matter and await the favour of an early reply. *A*

Rome, February 14th, 1946

4624

SECRET

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

30 (12)
11.07

13091/F

21 September 1945

SUBJECT: Yugoslav Purchases in Milan.

TO : Executive Commissioner
(through Economic Section).

(11)

(4)

1. Reference your 4616/36/EC of 4 Sept. 1945.
2. Attached is copy of further letter on this subject received from the Regional Finance Officer, Lombardia.

R. H. Pennington
Col.

Joint Director,
Finance Sub-Commission.

1185
4800

See M 13
22/9

(CART WHITE)

SECRET.

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



1784
1784

785017

COPY

SECRET

(11)

HEADQUARTERS
ALLIED MILITARY GOVERNMENT
LOMBARDIA REGION
APO 394
(Finance Division)

NTB/bl

18 September 1945

Ref: Fin/5.8/HQ.

SUBJECT: Yugoslav Purchases in MILAN.

TO : The Joint Directors,
Finance Sub-Commission,
Headquarters, A.C.
APO 394.

(10)

(11)

1. Reference your letter, 13091/F dated 4th September 1945.
2. Please find attached copy of a letter addressed to me, from the Regional Security Officer, which gives the information you require.

For the Regional Commissioner:

/s/ N. T. Beard
/t/ N. T. BEARD
Lt. Colonel,
Regional Finance Officer.

Encl:

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



778A

778B

0

0

SECRET

HEADQUARTERS
ALLIED MILITARY GOVERNMENT
LOMBARDIA REGION
APO 394
Regional Security Officer

Ref: S/ 1362

13 September 1945

SUBJECT: Yugoslav Purchases in MILAN.

TO : Regional Finance Officer
(Att. Lt-Col. BEARD).

1. Reference is made to letter 13091/F dated 4 September 1945, from Finance Sub-Commission AC HQ., together with copies of self-explanatory correspondence, passed to me for comment today.
2. You will doubtless recall a conversation we had recently on the basis of a letter which had been received by the RFO (Col. TUBB) from Maj. COPELAND, the original of which is in your possession. You will also recall that Col. TUBB had instructed me on or about 20 August 1945, to make enquiries in connection with the individuals and the activities referred to in the a/m letter.
3. On 22 August 1945, I caused a trace to be made of the address, [REDACTED] telephone number given. On the same day the number was put under control C.C.G. (Capt. AUSTIN) and intercepts on the same and subsequent days clearly indicated that these individuals and others - some of whom have already been identified, were engaging in speculation over the purchase and re-sale of motorcars and other unspecified materials. Very large sums of money appeared to be involved. References were made to activities by associates in TRIESTE, LUBIANA and BELGRADE. It was also apparent that at least one of the individuals mentioned was in the habit of making periodical visits to TRIESTE.
4. Further enquiries clearly show that at least of the individuals under investigation was in contact with the Croatian Consulate, Via Bocchetto 6, MILANO. This address is known to be the centre of black market and, possibly, other activities.
5. The results of the preliminary enquiries were communicated verbally by this R.S.O. to the R.F.O. (Col. TUBB) who was asked if some of the serial numbers of the notes referred to in Maj. COPELAND's letter could be obtained in order to determine at some later date whether any of the individuals were in possession of any of the notes. No reply has been received to date but your attention has been drawn to this matter and you have agreed to assist.
6. Meanwhile, due to the complexity of the case, the status of the individuals involved and the fact that security was apparently at stake, both No. 3 S.C.I. Unit and I.S.I.D. were consulted and an exchange of information agreed on.
7. It is possible that Col. TUBB interpreted the reference to No. 3 S.C.I. and I.S.I.D. to apply to "higher Intelligence" which in a sense is correct. There was never any question of the matter having been referred to London or Washington.

The a/m agencies, and G.S.I. No. 2 District, are naturally interested

2. You will doubtless recall a conversation we had recently on the basis of a letter which had been received by the RFO (Col. TUBB) from Maj. COPELAND, the original of which is in your possession. You will also recall that Col. TUBB had instructed me on or about 20 August 1945, to make enquiries in connection with the individuals and the activities referred to in the a/m letter.

3. On 22 August 1945, I caused a trace to be made of the address [redacted] telephone number given. On the same day the number was put under control C.C.G. (Capt. AUSTIN) and intercepts on the same and subsequent days clearly indicated that these individuals and others - some of whom have already been identified, were engaging in speculation over the purchase and re-sale of motorcars and other unspecified materials. Very large sums of money appeared to be involved. References were made to activities by associates in TRIESTE, LUBIANA and BELGRADE. It was also apparent that at least one of the individuals mentioned was in the habit of making periodical visits to TRIESTE.

4. Further enquiries clearly show that at least of the individuals under investigation was in contact with the Croatian Consulate, Via Bocchetto 6, MILANO. This address is known to be the centre of black market and, possibly, other activities.

5. The results of the preliminary enquiries were communicated verbally by this R.S.O. to the R.F.O. (Col. TUBB) who was asked if some of the serial numbers of the notes referred to in Maj. COPELAND's letter could be obtained in order to determine at some later date whether any of the individuals were in possession of any of the notes. No reply has been received to date but your attention has been drawn to this matter and you have agreed to assist.

6. Meanwhile, due to the complexity of the case, the status of the individuals involved and the fact that security was apparently at stake, both No. 3 S.C.I. Unit and I.S.L.D. were consulted and an exchange of information agreed on.

7. It is possible that Col. TUBB interpreted the reference to No. 3 S.C.I. and I.S.L.D. to apply to "higher Intelligence" which in a sense is correct. There was never any question of the matter having been referred to London or Washington.

The a/m agencies, and G.S.I. No. 2 District, are naturally interested in alien movements and more especially activities within their respective provinces.

8. Investigations are continuing but of necessity progress is slow due to the number of individuals who may be directly or indirectly involved.

9. The question of evasion of regulations with respect to movement control is being discussed. It is hoped to forward a more detailed report in due course.

10. The correspondence in question is returned herewith.

A. E. HEATH
Major, I.C.
Regional Security and
Intelligence Officer.

785017

4626

(9)

HEADQUARTERS ALLIED COMMISSION
Public Safety Sub-Commission
APO 394

Tel : 489081-365

14 September 45

SEP 15 1945

AC/14313/PS

SUBJECT : Movement of Lire across Adriatic

TO : Commanding General CG.FF.

1. It is reported in the Italian Press that considerable movement of lire is taking place across the Adriatic in exchange for grain. It is said that this traffic is being organized by Yugoslavs.

2. This information is brought to your notice for such action as you may deem necessary.

John W. Chapman
JOHN W. CHAPMAN
Colonel, J.A.G.D.
Director.

Copy to : Executive Commr AC ✓
Finance S/C
Navy S/C

FJW/G

(Capt. Pennington)

PH
CWP

PA 24/9

785017

HEADQUARTERS, ALLIED COMMISSION
Navy Sub-Commission APO 394

NSC/3522
10 September 1945.

12 1945

From: Navy Sub-Commission, Hq. Allied Commission.
To : Public Safety Sub-Commission, Hq. Allied Commission.
Subject: Movement of Lire across the Adriatic. (6)
Enclosure: (A) Executive Commissioner, AC, ltr. 4616/EC of
1 September 1945 and subsequent correspondence.

1. Enclosure (A) is forwarded herewith with the request that the question of the movement of lire across the Adriatic be referred to the Commanding General of the Guardia di Finanza, observing that there is no Italian Coast Guard Service functioning at the present time. Representatives of the Ministry of Marine have indicated verbally that Guardia di Finanza is the Italian Government Agency which is competent to institute controls in the Italian ports for the purpose of curbing any illegal movement of lire or grain which may be taking place.

H. ST. J. BUTLER,
CAPTAIN, U. S. NAVY,
REAR ADMIRAL
CHIEF, NAVY SUB-COMMISSION

Copy to:
Executive Commissioner, AC. ✓
Finance Sub-Commission, AC.

(Over 6/10/45) (6/10/45)

RA 149

785017

HEADQUARTERS, ALLIED COMMISSION
Navy Sub-Commission APO 394

FIRST ENDORSEMENT to:
Executive Commissioner, AC.
Ltr. 4616/EC of 1 Sept. 48.

HSC/3477
5 September 1948.

From: Navy Sub-Commission, Hq. Allied Commission.
To : Finance Sub-Commission, Hq. Allied Commission.
Subject: Movement of lire across the Adriatic.

1. Forwarded.

2. As an aid in determining appropriate action to be taken in connection with curbing the alleged movement of lire across the Adriatic, the comments of the Finance Sub-Commission would be appreciated concerning the regulations which may be violated if the traffic in lire does in fact exist.

3. As there is no Italian Coast Guard Service functioning at the present time, it is requested that consideration be given to referring the matter to the Commanding General of the Guardia di Finanza.

H. St. J. Butler
H. ST. J. BUTLER,
CAPTAIN, U. S. NAVY,
FOR REAR ADMIRAL
CHIEF, NAVY SUB-COMMISSION, **ASCO**

Copy to:
Executive Commissioner, AC. ✓

S *PM* 7/9

1 Sept. 45.

Ref: 4616/S2.

Subject: Movement of lire across the Adriatic.

To: Naval Sub-Commission.

It is reported in the Italian Press that considerable movement of lire across the Adriatic in exchange for grain is taking place - this traffic being organised by the Yugoslavs.

It is considered that this is properly a matter for the attention of the Italian Coast Guard Service and the Executive Commissioner directs me to say that he would be grateful if you would inform him as to the state of this Service and whether you consider it competent to take any effective action in this matter.

/s/ E. TALBOT.

CSO

To Executive Commissioner.

See 11-17-2

Ext 451

ANA/el

4

Ref: 4616/38/EC

4 September 1945

SUBJECT: Yugoslav Purchases in Milan

TO : Economic Section (Attention: Finance Subcommittee)

1. Reference is made to a letter 13091/F dated 29 August and written by Brigadier Graffey-Smith, Joint Director (B), Finance Subcommittee, to the Joint Director (A), Finance Subcommittee, regarding Yugoslav purchases in Milan, a copy of which was sent to the Executive Commissioner for information.

2. It would be appreciated if more information could be had with particular reference to the statement made in paragraph 3, particularly the part "that the matter was being dealt with on a high intelligence level, and had been referred to London and Washington."

A. E. ARNOLDY.

Chief Staff Officer
To Executive Commissioner

Noted
Bo
9
RA 5/9
SEE 47

785017

4616
HEADQUARTERS ALLIED COMMISSION
APO 394
Finance Sub-commission

29th August 1945

Ref: 13091/F

AUG 31 1945

SUBJECT: Yugoslav purchases in Milan

TO: Joint Director (A)
Finance Sub-commission

1. It was reported to me by Colonel Tubb, Regional Finance Officer A.M.C. Lombardia, that two Yugoslav agents, named Bondag and Paulite were making large purchases of materials and motor cars in the Milan area. They appeared to be plentifully supplied with lire, believed to be part of the amount taken from the Banca d'Italia branch, Trieste, before our arrival in that town.

2. It is stated that they act upon instructions from Ljubljana; and despatch their purchases back to Yugoslavia in the cars purchased in Milan. These cars are said to pass through A.M.C. Venezia Giulia without difficulty.

3. Colonel Tubb stated that he had wished to take further action on this report, but that he had been informed, presumably by the Regional Commissioner, that the matter was being dealt with on a high Intelligence level, and had been referred to London and Washington.

A.P. Graboy with
Brig. *FL*Joint Director
Finance Sub-commission

Copy to: Executive Commissioner ✓

Brigadier Anderson,
Economic Section.(Copy Anderson) *AM**See M 243*

1357