

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

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10000/109/945
(VOL. II)

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(VOL. II)

INDUSTRIAL REHABILITATION
MAR. 1944; SEPT. 1945 - JAN. 1947

225.

Chief Commissioner.

With reference to Navy S/C Minute 223, draft letter at 224 is submitted for your consideration.

It seems to me that some developments must have taken place since your letter of 30 November 1945 at Polio 135 in view of the statement referred to (marked A) in the AFHQ telegram sent to Washington and London in August this year *af Foko 197.*

I have, however, discussed the matter with Commodore Ziroli who states that he can find no correspondence bearing on the statement referred to in the telegram at Polio 197. In any case he feels that no harm would be done by asking the Prime Minister for a report.

McLan Bryden

M. CARR,
Brigadier,
Exco. Comm.

4/x1/46 *226*

EC. Approved *226*

5/x1

227.

Chief Commissioner

- 224

Attached is submitted for your signature *enclosed*
substantiation

McLan Bry
ES.

5/x1

228

Navy S/C

Has any reply been received to 224

I have, however, discussed the matter with Commodore Zirolì who states that he can find no correspondence bearing on the statement referred to in the telegram at Folio 197. In any case he feels that no harm would be done by asking the Prime Minister for a report.

McLaurin Byahen

M. CARB,
Brigadier,
Exco. Coma.

4/xi/46 22.6

F.C. Approved *DWCC*

5/xi

Chief Commissioner

227

- 224

Attached is submitted for your signature ^{approved} _{information}

McLaurin Byahen
E.C.

5/xi

228

Nowy s/c

Has any reply been received to *224*

yet, please.

224 6/12

230

230

Has any reply been received to *224* for signature, per

224 9/12
H.S. 10/12/12

220.

Chief Commissioner.

You asked to be informed as to the outcome of the Navy S/C letter of 12 October 1945 (at Folio 122) on the subject of financing Italian shipbuilding and repair industry. The information is given in Minute 210 and at Folio 212. As regards para 3 of 212 it appears that the charge of policy so far as Italian Government territory was concerned was approved because on instructions from AFHQ (Folio 128) on the 30 November 1945 (at Folio 135) you conveyed to the Prime Minister the policy referred to.

All the letters referred to in 212 are not in this file but further enquiries can be made with Navy S/C if required.

16 October 1946.

M. Carr, Brigadier

M. CARR,
Brigadier,
Executive Commissioner.

221

E.C.

*Has Navy S/C planned Timor
last part of Folio 135? If not -
why, I will try to do so? JWC
cc*

17/x

222

To: Navy Sub-Commission,
Attention: Commodore Ziroti.

Reference Minute 221. We discussed this matter. Will you please investigate and report on the situation for the information of the Chief Commissioner.

M. Carr, Brigadier

M. CARR, Brigadier,
Executive Commissioner.

23rd October, 1946

16 October 1946.

E.C.

Has Navy S/C planned to make
last part of Folio 135? If not -
why, I will try to do so?

17/x

221

M. Carr,
Brigadier,
Executive Commissioner.

222

To: Navy Sub-Commission,
Attention: Commodore Zirolli.

Reference Minute 221. We discussed this matter. Will you please
investigate and report on the situation for the information of the Chief
Commissioner.

23rd October, 1946

by Comms

223

M. Carr,
Brigadier,
Executive Commissioner.

Folio 135 was prepared for the Chief Commissioner's signature on the Prime Minister-Chief
Commissioner level involving several ministries. The Navy Sub-Commission has dealt only with
the Ministry of Marine and the newly created Ministry of Mercantile Marine--unless otherwise
directed by the Executive Commissioner or the Chief Commissioner.

It is to be noted that in Minute 210 I called attention to paragraph (g) of Folio 135 that
the Italian Government was requested to designate an agency of the government to discuss ship-
repair facilities. I further stated that no further action had been taken by the Navy Sub-
Commission.

However, I have inquired from the Ministry of Marine and the newly created Ministry of Mer-
cantile Marine for information as to whether they had any directive from their government
implementing Folio 135 and the answer was negative.

It is suggested that a new letter be directed to the Prime Minister on this subject (for
Chief Commissioner's signature), rough draft of which is enclosed herewith.

28 October 1946.

223
H. Zirolli
Commodore, U.S.N.

287211

CSO

Have we pt

a copy of 112

letter of 15/11/45 - signed

to the 1st sentence of

minutes 210. If not

can we get a copy of it

from the file - of the file

from Navy file MF

1 2879

213.

Mr. 211. Please see folio 212. m. 210

also refer.

G. M. M. 1/10.

Chief Commissioner.

214

209

is submitted for your signature

This is the only copy I have.

The term "State" is very from

approved

information

M. Carr by adler

Ex. Comm. 8/10/46

1-30

HEADQUARTERS ALLIED COMMISSION
NAVY SUB-COMMISSION APO 784

To: Executive Commissioner.

AFHQ, G-5 replied to NSC/3624 of 12 October 1945, by G-5 D26.4 NLI of 15 November 1945. Attention is also invited to AFHQ Log, page 182, of 15 August 1945, in which in paragraph 6(b) it is stated that no objection is raised to the Italian Government advancing funds for rehabilitation of shipyards.

Chief Commissioner's letter of 30 November 1945 to the Italian Prime Minister sets forth the policy re rehabilitation of Italian shipbuilding industry. Attention is invited to paragraph (g) in which Italian Government is requested to designate an agency of the government to discuss financial matters involving ship repair and shipbuilding facilities. Same paragraph states, "No demands will be made on Allied Governments for assisting in financing such repairs and shipbuilding work.....". Except for the above no action has been taken by the Navy Sub-Commission or Allied Commission regarding the financing of shipbuilding industry or work at the Monfalcone yard.

H. W. ZIROLI,
Commodore, USN,
Deputy Chief, NSC.

1695

206

C.S.D. Capt. K.

Will you b.f. the NSC letter referred
to AFHQ reply thereto.

207 11/12/45

C.S.D. Ex. 1 (mm)

Ref mem 106. N.S.C. letter is at.

folio 122. Sacramento's cable to C.C.S. is
at folio 127 and this info was
passed to the P.M. at folio 133

Qu. 1/149

208.

Navy Subcommittee.

1. Para 7 of your letter to AFHQ dated 12 October 1945 stated that upon receipt of further comments from AFHQ and HQ XIII Corps the Allied Commission would take such action as may be necessary with respect to financing the work at MORTALCONE.

This file does not disclose any further correspondence on this subject or whether any action was taken by the Allied Commission.

Presumably AFHQ G-5 replied to your letter of the 12th October 1945. Can you please state what was the outcome of para 7 of your letter of 12 October 1945?

2. Para 11 of the same letter refers to shipbuilding in Italian Government territory and sub-para (f) of para 11 suggested that an agency of the Italian Government should discuss financial matters. This proposal was confirmed in NAF 1095 of 26 November (Folio 127) and the proposal was conveyed to the Prime Minister in the Chief Commissioner's letter of 30 November (Folio 135).

Navy Subcommittee.

1. Para 7 of your letter to AFHQ dated 12 October 1945 stated that upon receipt of further comments from AFHQ and HQ XIII Corps the Allied Commission would take such action as may be necessary with respect to financing the work at MONTALCONE.

This file does not disclose any further correspondence on this subject or whether any action was taken by the Allied Commission.

Presumably AFHQ G-5 replied to your letter of the 12th October 1945. Can you please state what was the outcome of para 7 of your letter of 12 October 1945?

2. Para 11 of the same letter refers to shipbuilding in Italian Government territory and sub-para (f) of para 11 suggested that an agency of the Italian Government should discuss financial matters. This proposal was confirmed in NAP 1095 of 26 November (Folio 127) and the proposal was conveyed to the Prime Minister in the Chief Commissioner's letter of 30 November (Folio 135).

There is nothing in this file to show what was the outcome of the proposals as regards finance of shipbuilding work in Italian Government territory.

Can you please say what the outcome was?

3. The above information is required by the Chief Commissioner.

23 September 1946.

McCartney
M. CARTNEY,
Brigadier,
A/Executive Commissioner.

208.

QAB/149

*Ref min 106. U.S.C. letter is at
folio 122. Sacumedi's cable to C.C.S. is
at folio 127 and this wife was
passed to the P.M. at folio 135.*

C.S.S. Ex (10000)

not 11/12/15

200.
Ex lamm.
See 199. N.S. 197

Chief Legal Adviser.

1. The Chief Commissioner has raised the query as to whether MAP 1191, a copy of which you will find on Page 197, is not in conflict with the US Civil Affairs Agreement.

2. You will see the opinion of CSO, Navy S/C on Page 199.

3. I do not agree with his para 4 for it appears from Articles 8 and 9 of the US Civil Affairs Agreement that the only cases excluded from the responsibility of the US Government are the occupational costs for the direct maintenance of US forces in VENEZIA GIULIA and the Province of UDINE. It does not appear, therefore, that the repair of US ships based on Italy and primarily engaged in occupational duties which are not connected with VENEZIA GIULIA and the Province of UDINE can be billed to the Italian Government.

4. May I have your opinion as a matter of urgency.

202.

Chief Commissioner.

MSB
Brigadier,
Executive Commissioner.

1. Please see Minute 201 above. I have discussed this with the DCIA who agrees that MAP 1191, although in accordance with the present Armistice Terms, would be in conflict with the US Civil Affairs Agreement if and when the Revised Armistice Terms and Civil Affairs Agreements were signed. It is, however, to be remembered that directives issued under the present Armistice Terms lapse on the signing of the Revised Armistice Terms. There is, however, objection to AFHQ recommending at this stage something which is in conflict with US policy for the future.

203

1. The Chief Commissioner has raised the query as to whether NAF 1191, a copy of which you will find on Page 197, is not in conflict with the US Civil Affairs Agreement.

2. You will see the opinion of CSO, Navy S/C on Page 199.

3. I do not agree with his para 4 for it appears from Articles 8 and 9 of the US Civil Affairs Agreement that the only cases excluded from the responsibility of the US Government are the occupational costs for the direct maintenance of US forces in VENEZIA GIULIA and the Province of UDINE. It does not appear, therefore, that the repair of US ships based on Italy and primarily engaged in occupational duties which are not connected with VENEZIA GIULIA and the Province of UDINE can be billed to the Italian Government.

4. May I have your opinion as a matter of urgency.

202

MSL
Brigadier,
Executive Commissioner.

1-33

Chief Commissioner.

1. Please see Minute 201 above. I have discussed this with the DCLA who agrees that NAF 1191, although in accordance with the present Armistice Terms, would be in conflict with the US Civil Affairs Agreement if and when the Revised Armistice Terms and Civil Affairs Agreements were signed. It is, however, to be remembered that directives issued under the present Armistice Terms lapse on the signing of the Revised Armistice Terms. There is, however, objection to AFHQ recommending at this stage something which is in conflict with US policy for the future.

2. In actual fact the Italians do not dispute their liability to repair Allied ships free of cost. They merely state that they are unable to supply the necessary materials required for such repairs unless the materials are replaced or paid for in foreign currency.

3. Will you take verbal action with AFHQ or do you wish a signal drafted.

21 Aug. 45.

203

MSL
Brigadier,
Executive Commissioner

*Spoke to AFHQ 6.30 who appreciate this but don't
want to regulate existing procedure*

MSL

Cap. Luggie
RA

161

HF HQ sent - r/f by letter which
folio 151

I should like to see.

HS (10/4)

ALL.C. ¹⁶²
~~000~~. Herewith folio 160 is reply to 151 as
referred to in above minute. ^{11/4}
JH 12/4

HS (12/4)

184.

V.P. Com Let.

Please forward copy of your reply
to 4 183 to the Comm.

J.W. Hunt. ^{12/4}
H. - Col.

22/7

HS 30/7

¹⁸³

29 July
050 - Ex. Com. Copy of all papers referred to in
184 are attached. Dispatched air mail 27 July.
C. G. B. J.

W (10/4)

ALLC. ¹⁶²
Henceforth file 160 is reply to 151 as
referred to in above minute. ^{11/8}
JH 12/4

728/12/4

184.

V.P. Sec. Sect.

Please forward copy of your reply
to 4 183 to Ex Comm.

J.W. Hunt. but ~~not~~ ^{not} - 101.

22/7

MS. 3017 ¹⁸⁵
OSO - Ex. Com. Copy of all papers referred to in
184 are attached. Dispatched air mail 27 July.
Ogden

29 July

MS. 1618 ¹⁹⁶
Please see cable L 197 for info ^{W. Knisely.}

050
H10-1A

152

For Information. \$6 1/4.

பொ

W. B. 12
C80. Please see folio 147 for info.
15*

Key H. - yellow w/ green, fl. 8/12

Sgt. Jorgensen. PA wanted ~~in~~ 8th date

5/25/85

~~951~~ 156

Case Section,

Ref. convenance of 4/4 and folio 165
enclosed for your file. This appears to be
against folio 135. May I please be advised
of the position at the U.S. Embassy are interested
C. W. S. 5/4

187. 15A

Econ Section.

~~12~~
Please see folio ~~100~~ 158.

10 April
Jill

15A ~~13~~
Executive Commissioner AC

the time is invited to number 157

M. 28/2

Sgt. Tupper. PA until ~~10~~ 10th date

5th 44
28/4/46

Econ Section.
~~15b~~ 15b

Ref conversation of 4/4 and folio 15b (5 pms
enclosed for your file) This appears to be
against folio 135. May I please be advised
of the procedure at the U.S. Embassy are interested

CALLS
3/4

~~15b~~ 15A

Econ Section.

~~15b~~
Please see folio ~~100~~ 158.

1691

DPH
10 April

15A ~~15b~~

Executive Commissioner AC

attention is invited to minute 157

10 April 1946
Economic Section

Norman R. Smith
Major, AGD
C 50

129.

Ex. 19
#1050

Please see 126-128 for info. Navy SC have agreed to take action requested in 128.

Final
29/11

131

Reins S

Reins 129 - Ex. Com. has seen. Pl. annex

Check action taken by Navy SC is in accord with Ex. Com. See.

Final
29/11

133.

Ex. 130

130 & 132 for info. A/V.P. Sec. has replied to 130, copy coming up soon. 29/11.

135

CSO. Please see Johns 136 & 137. An immediate reply is being drafted in view of Admiral's request. 11/1/46

137

Reins S. Should follow up early to.

Final

1390

Final

143.

CSO. Refs 134 & 135 the last paragraph has been interpreted by the H.A. Com. to mean that the first report is due ~~on~~ 1 April 1946 which is the end of the quarter.

Refs S

Ref 129 - Ex. Com. has seen. Pl. ensure
check action taken by Navy SpC is in accord with
Ex. Com. Sec. W. W. W.

Free 29/11

133.

130 & 132 to info. A/V.P. Sec. has replied to 130,
copy coming up soon. R. 29/11.

135

C50. Please see to 131 & 137.
An immediate reply is being drafted in view of Admiral's request.
Sgtt. 11/1/46

138

Maj. K. Chandler follow up early to.

Free 29/11

1390

Ref 143.

C50. Refs 134 & 135 the last paragraph has been interpreted
by the St. L. Com't to mean that the first report is
due ~~on~~ 1 April 1946 which is the end of the quarterly
interval commencing Jan 1, 1946. The Navy SpC was contacted.

Sgtt 17/1/46

also reference made 158 & 159.
please see replies at 140 to 142

Sgtt 17/1/46

105

1-10-10

CSO - Ref. folios 103-104. For info. Will follow up with Ec Sec

Emul 29/9

106

CSO

Let me know please. rebally stick achi

Emul Sec are taking

107

725 2075

1/10 - Spoke to Highland who will follow up

Emul

3/10 Reply promised.

111

CSO - Folio 110 for info. The letter in question was not sent to C.C. for signature but sent back to Navy SIC to reconcile views of Fin. Sec (see minute 102 and folio 102). Navy say that this has been done & revised letter will be forth coming shortly. Will check tomorrow

Emul 4/10

note - letter sent Revised to C.C. directly

114

Dec.

Chief Commissioner.

0850

0850

Attached is submitted for your signature approval

On accident

13

Let me know please. really that achi

Even see on table

107

725 (3575)

110 - Spoke to Highland who will follow up
~~Cat. 110~~ 110

110 Reply promised

111

CSO - 110 for info. The letter in question was
 not sent to C.C. for signature but sent back
 to Navy SIC to reconcile views of Fin. SIC (see
 minute 102 and file 102. Navy says that this
 has been done & revised letter will be forth coming
 shortly. Will check tomorrow

110

note - letter sent
 Revised to C.C.
 directly

110

114

Chief Commissioner

114 13 RECD
 0850

13/10

Attached is submitted for your signature
 approval information

On recordation
 have signed. The
 letter is good

Thank you
 11/11/11

50/09

JAN 8 1947

245

CC 651

7 January 1947.

SUBJECT: Pump-priming of Industry, Venezia Giulia.
(Usage of words denoting sovereignty)

TO : Senior Civil Affairs Officer, AMG Venezia Giulia.

1. Reference is made to your letter VG/AMG/9 of 12 November 1946 on the above subject to G-5 AFHQ.
2. Volume II, No. 5, of the Allied Military Government Gazette dated 1 December 1946 shows that in Order No. 274 signed by you on 23 November 1946 the term "state" is still being employed, notably in Article II of the a/m order.

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Copy to: G-5 AFHQ

DISTRIBUTION:

Ex Comm ✓
Chief Legal Adviser
Chief Financial Adviser
CC Files

1688

[Handwritten signature]
Case K

[Handwritten initials]
8/1/9

5009 81

DEC 12 1946

244

CC 831

11 December 1946.

SUBJECT: Pump Priming of Industry in Venezia Giulia.

TO : G-5 Section, AFHQ.

1. There are enclosed herewith a memorandum from the Financial Adviser, Allied Commission, and a memorandum from the Chief Legal Adviser, Allied Commission, at the end of which are appended joint recommendations of both officers.
2. I concur in and recommend approval of the above-mentioned recommendations.
3. For convenience, copies of directives and documents referred to are enclosed herewith. Return of such enclosures is requested.

Elmer W. Stone

ELMER W. STONE
Rear Admiral, USNR
Chief Commissioner

Incl. 1- ltr Fin Adviser, AC
2- ltr CLA, AC
3- Directive & documents.

1087

Copy to: Financial Adviser
Chief Legal Adviser
Ex Comar
CC files

OK
Capt K

PA
14
1947

HEADQUARTERS ALLIED COMMISSION

AFD 794

SUBJECT : Venezia Giulia

10 December 1946

TO : Chief Commissioner

A. Following your instructions the question of

Loans to Industry

made by A.S.G., Venezia Giulia, was discussed at length with the C.F.D. and the C.L.G. of V.G. The C.F.D., V.G. states the procedure adopted was based on the following:

1. AFHQ issued Directive AG 387/287 SEC-0 dated 26 June 1945 to the Commander of the 6th Army regarding the creation of the Venezia Giulia Region, in which it is stated, among other things, that Venezia Giulia would be administered as a SEPARATE REGION.

2. It also states that the laws of the Italian Government as on the 9th of September 1943, would be the basic law for this Region.

3. Further, that "NO STEPS will be TAKEN which Support or may appear to Support or prepare for any ultimate disposition of the area to any claimant nation."

4. By the same AFHQ order the Italian Government was "excluded" from the territory.

5. In that part of Italy latterly administered by A.S.G. Italian decrees were implemented in the territory so administered by endorsement; the endorsement specifically excluded the decrees from being operative in Venezia Giulia.

6. In Venezia Giulia any new Italian Government decree that is considered desirable to apply in Venezia Giulia, is

1626

- 2 -

242

enacted not by "Implementation" but by the issue of a regional order.

7. The choice of decrees to be enacted in Venezia Giulia, is left to A.M.G. (para 7 ARHQ Directive).

8. Regarding rehabilitation loans to Industry: the procedure in Italy, by an Italian decree, is that the loans are made by a Bank and the Bank is guaranteed by the Government. In case of default the Italian Government has the right to reimburse the Bank and take possession of the security given for the loan. The C.F.O. considers that if this Italian decree were implemented in Venezia Giulia, it would give the Italian Government, in case of default, the right to take possession of Industry of Venezia Giulia, and this obviously would be in conflict with the clause referred to in para (3).

9. Under the Italian decree, the Italian Government voted a credit to cover its possible liabilities under guarantee. Venezia Giulia is barred from using an Italian Government credit, as to do so would also be in conflict with the instructions referred to in para (3).

In addition, the Banks in Venezia Giulia - with Head Office in Italy - were not disposed to make advances of lire funds under the guarantee of A.M.G. Therefore, in view of the different situation existing in Venezia Giulia, if it was desirable to finance Industry, - and that is not disputed, - it could only be done by the issuing of an independent order, which was the reason why order No 184 was issued.

10. The Finance Sub-Commission were aware of the procedure, and this was stated by the Director of the Finance Branch of the Economic Section - Lt.Col. Timmons - in his report to the Acting Vice President of the Economic Section on the 20th of April 1946.

B. The comments of the P.A. are:-

1. In A.M.G. territory advances to Industry were made from

- 3 -

201

the local Treasury Section of Banca d'Italia by order of A.M.C. for the purpose of financing firms essential to the war effort. Usually these firms were creditors of the Italian Government either on "old" account or on account of goods supplied to or in course of production for the Allied and, as such, an occupational cost to be borne by the Italian Government.

2. It is laid down by Finance S/C that, in making such advances, the State Budget (S.B.) procedure is to be followed. This requires the submission of a Budget on the appropriate S.B. form, the approval of which by the R.F.C. authorizes the R.F.C. (or Budget Officer at Regional H.Q.) to issue an "order of credit" on the local Tesoreria (Banca d'Italia - Treasury Section) in favour of the Intendente di Finanza for the approved amount. The S.B. forms covering the advance are to be sent to A.C. for revision and onward transmission to the Italian Treasury.

3. The Intendente, in paying over the advance, obtains a formal acknowledgement. No interest accrues on the advance and no mortgage is registered on the immovable property of the firm receiving the advance. The amount advanced is entered by the Intendente in and outstands on a "special account (Capitolo) in his books.

4. The Italian Decree, to which reference is made in a para 3 makes provision for rehabilitation loans to rehabilitate Industry through the Banks, in the terms of the Decree and for the setting up a fund by the Treasury, up to which amount the Treasury may guarantee the Banks. Only in the case of a default, therefore, are Government funds utilized.

5. Thus, two different ways of financing are apparent (a) advances from Treasury funds on accounts receivable from the Government (either accrued or to be accrued) and (b) loans by the Banks under Italian Government guarantee. 1684

6. In V.G. Loans totalling L 150 million (approximately) were first made out of A.M.C. (AFA) funds and, not being a legitimate expenditure, were repaid to the extent of L 146 million in June and July 1946. - (The balance of L 4 million is expected to be repaid in the near future) out of so-called "State" funds, claimed by C.F.C. to be the "State" of V.G.

- 4 -

240

The funds were obtained by an "order of credit" on the Banca d'Italia - Treasury Section and are, therefore, Italian Government funds until and unless the liability on the account with the Treasury Section is assumed by the ultimate Government of the area, if other than Italian.

7. Under the Italian Decree (A para 8) such loans could, in Italy, be made by Banks, even by the Commercial Banks (Banca Commerciale Italiana, Credito Italiano, Banco di Roma) which have in recent times obtained legal powers to make medium term loans. Long term loans are made against property by these Banks with the powers of a "Credito Fondiario".

8. Recourse to the local Treasury was made by reason of the reluctance of the local Branches of the Banks to advance against the guarantee of A.M.G., either because of the Banks' constitution or the limitation of "local" lending powers under the Banks' internal regulations.

9. V.G. Order No 184 was issued on the 1st August 1946. Under this order loans for a total of L. 1,167,500,000 (inclusive of those mentioned in B Para 6) have been made. A list is attached showing the amounts and repayments to date.

10. The Order differs from the Italian Decree in that it legislates for loans by A.M.G. from Treasury Funds. The S.R. procedure has been followed, but has been amended by the inclusion of a repayment date; an interest charge of 7% by the inscription of a mortgage in the name of A.M.G. on the immovable property of the firm; and the issuance of a policy of insurance in favour of A.M.G. The relative S.R. forms have not, so far, been forwarded to A.G. 1683

11. Under the Order, applications are first examined by a local Committee of experts which makes its recommendations to the C.F.C.

12. In the course of discussions with the Direttore of the Banca d'Italia, Credito Italiano and other banking officials in Trieste I was informed that the Committee is functioning in its preliminary examination. The general banking opinion there is favourable to the Order as it felt it enables a

238

much needed impetus to be given to local industry on terms favourable to the borrower. The interest, amortization and mortgage registration clauses are considered an incentive to repayment. In answer to a direct question as to whether A.S.G. was regarded as Trustee for the eventual Government I received the answer in the affirmative.

13. In my opinion, the applications are examined with care and discrimination and financially, the loans are not questioned. I consider that Order No 184 should have followed more closely on the lines of the Italian Decree and loans made by the Banks under the appropriate arrangements with the respective Central Administrations. Failure on the part of the local Banks to use their surplus banking funds in V.S. for this purpose is inflationary.

14. But, even if the Banks had refused to cooperate, for political fears, and A.S.G. is called upon to act in the emergency, in any case, it should have used the S.B. procedure as laid down by Finance S/C i.e. as the "Government" for the time being and not a system which, rightly or wrongly, might give cause to the belief that Allied funds were involved.

15. Finally, figures given to me in Trieste of "Statal" account to 30 June 1946 show a deficit on L 7.167 million made up of Revenue L 1.533 million, Ordinary expenditure L 4.600 million Extraordinary expenditure L 4.150 million total L 8.700 million. S.B. forms are not sent to A.C. and it follows that the limitation of the over-draft on the "Statal" account lies solely within the discretion of the G.P.O.

L. B. Battenby
16.2
C.M.
(Sgd.) L.B. BATTENBY
Colonel, G.I.
Financial Advisor

COPY

LIST OF LOANS GRANTED TO INDUSTRY

23.11.1944

Nome	Industria	Importo prestitato
Cantieri S. Giorgio, Trieste	Ship yards	1. 40.000.000.-
ILASA Impresa Lavori Navali, Trieste	"	" 2.000.000.-
S. Vellutone S.A., Trieste	Clothing manufacturers	" 6.000.000.-
Fabrizio Missoglia, Trieste	Ship constructor	" 5.000.000.-
Officina e Cinescopio Trieste	Ship yard factory	" 127.000.000.-
Industria Triestina, Trieste	Waste factory	" 40.000.000.-
Adelphi & Co. Macchine	Chemical factory	" 100.000.000.-
ADPILA, Trieste	Oil refinery	" 150.000.000.-
Cantieri Sestini dell'Industria, Trieste	Ship yards	" 900.000.000.-
Atene Martinuzzi, Trieste	"	" 40.000.000.-
Carlo Martini & Co., Trieste	"	" 11.000.000.-
Cantieri Sestini, Trieste	"	" 20.000.000.-
Fremontec Tessamani, Trieste	Stone quarry	" 20.000.000.-
various small shipyards (together)		" 6.500.000.-
Vionti & Co., Trieste	Chemical factory	" 3.000.000.-
		2.147.500.000.-
		1. 5.050.000.-

238

1281

The reinsurance has just started.

MEMO TO THE CHIEF COMMISSIONER

1. As directed, I have made a trip to Trieste with Colonel Battenby (E) for the purpose of inquiring into the position taken by Venezia Giulia in relation to the matter of loans to industry authorized to be made there. The whole situation was explored in a series of conversations, the subject matter of which was agreed upon and later reduced to writing. This position is reflected in paragraphs 1 to 10 of the written summary hereto attached (See Flag "A").

2. Briefly stated, the attitude of Venezia Giulia in this connection may be summarized as follows:

a. With the occupation of Northern Italy, including Venezia Giulia, the Supreme Allied Commander, by a directive dated 26 June 1945 A.G. 387/207 GEC-O, elected to constitute Venezia Giulia into a region separate and apart from the remaining portions of occupied Northern Italy. The reasons for such decision were not precisely stated therein, but it was fairly to be assumed that the uncertain political future of Venezia Giulia was the moving cause. (Use of the term "Venezia Giulia" in this memorandum with reference to times subsequent to the Morgan Agreement, dated 9 June 1945, is intended to include only that part of the whole region so named which is under Allied Military Government and known as Zone "A".)

b. Inasmuch as Italian law as it existed on 9 September 1943 was adopted as the basic law of Venezia Giulia, Italian decrees promulgated after that date were not to be implemented. Furthermore, the Italian Government was expressly excluded from Venezia Giulia. Owing to these premises, and the instruction in the directive that "no steps will be taken which support or may appear to support or prepare for any ultimate disposition of the area to any claimant nation", there was vested in Military Government, Venezia Giulia, an independence in the selection of Italian decrees to be instituted, and by the same token an independence in the wording of the substance thereof, which independence was to be exercised by Military Government, Venezia Giulia, in its sound discretion.

c. That changes in the substance of the decree of the Italian Government authorizing loans to industry were necessary for the purposes of Venezia Giulia, in that if loans were granted under the substance of the

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- b. Inasmuch as Italian law as it existed on 9 September 1943 was adopted as the basic law of Venezia Giulia, Italian decrees promulgated after that date were not to be implemented. Furthermore, the Italian Government was expressly excluded from Venezia Giulia. Owing to these premises, and the instruction in the directive that "no steps will be taken which support or may appear to support or prepare for any ultimate disposition of the area to any claimant nation", there was vested in Military Government, Venezia Giulia, an independence in the selection of Italian decrees to be instituted, and by the same token an independence in the wording of the substance thereof, which independence was to be exercised by Military Government, Venezia Giulia, in its sound discretion.
- c. That changes in the substance of the decree of the Italian Government authorizing loans to industry were necessary for the purposes of Venezia Giulia, in that if loans were granted under the provisions of the Italian decree and default was thereafter made in the payment of a loan, the Italian Government would be entitled to foreclose a lien and would thus come into Venezia Giulia, though expressly excluded from the region by the directive of the Supreme Allied Commander. Therefore, to avoid such situation and to indicate clearly by its action that it was not concerned in the ultimate political disposition of the territory, it was deemed advisable that Venezia Giulia draw the order containing the features described by the Financial Adviser, Col. Battensby, in his report to the Chief Commissioner, incorporated in this file.

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3. The foregoing raises the question as to whether Military Government, Venezia Giulia, was correct in assuming that it is elected position regarding this matter was within the boundaries of the directive of the Supreme Allied Commander. After carefully reading that directive, and weighing the intent of the language used therein, I am lead to the conclusion that Military Government, Venezia Giulia, has given a greater breadth in its interpretation of the terms thereof than was really warranted. This conclusion is based upon the following:

a. With the collapse of enemy resistance the Supreme Allied Commander was confronted with the problem of establishing an occupational government for the newly liberated areas of Northern Italy under International Law. Included among such areas, of course, was Venezia Giulia. Though the Italian State continued as sovereign over all of such areas, including Venezia Giulia, the Supreme Allied Commander, as head of the occupying force, had power to and in fact did set up Allied Military Government therein in lieu of government by the Italian State.

b. It is of no legal consequence that in following this course the Supreme Allied Commander elected to treat Venezia Giulia as a region separate from the rest of Northern Italy for administrative purposes. The legal pattern of occupational government in all Northern Italy, including Venezia Giulia, remained the same. Italian sovereignty over all of this territory was fully recognized by establishing there as basic law the Italian law as it existed on 8 September 1943. In the case of Venezia Giulia the additional instruction that "no steps will be taken which support or may appear to support or prepare for any ultimate disposition of the area to any claimant nation" in no way altered the legal pattern to be followed in that area. The most that can be said of this instruction is that it was a timely warning by the Supreme Allied Commander to Allied Military Government (Italy) that administrative procedure to be followed in Venezia Giulia must rigidly adhere to the law of occupation with utmost political disinterest, leaving to the political agencies of the Allies the solution of the political future of Venezia Giulia. Under the plain language used by the directive, Venezia Giulia, like all other regions of occupied Italy, was to continue under the technical administration of the Allied Commission, which, in the chain of command to higher authority, acts for the Supreme Allied Commander.

c. The setting apart of Venezia Giulia as a separate region fell far short of establishing it as an independent region clothed with the attributes of an "independent state". Any assumption, expressed or implied, that Venezia Giulia is an "independent state" violently collides with the mandate of the Supreme Allied Commander that "No steps will be taken which support or appear to support or prepare for any ultimate disposition of the area to any claimant nation", for the obvious reason that there

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d. Furthermore, it cannot be seriously contended that by making Venezia Giulia into a separate region it became an independent region. If it became an independent region it would have been independent for all purposes, including

personnel, supply, and administration, as well as legislation. Against such contention is a long course of dealing wherein the principle has been recognized that the region, while separate, has been fully answerable in the chain of command to higher authority.

e. Likewise the contention that an independent legislative power became vested in Military Government, Venezia Giulia, because of adoption there of Italian Law as it existed on 9 September 1943, with consequent non-implementation of Italian Decrees in the area thereafter, is untenable. Such premise loses sight of the conditions that:

(1) At all times during occupation the choice of decrees to be implemented in occupied territory has been vested in higher authority.

(2) The directive in this instance plainly stated that the separate region of Venezia Giulia was to function under the technical guidance of the Allied Commission.

f. In consideration of all factors bearing upon this matter together, it becomes apparent that though for special reasons, no doubt political in character, Venezia Giulia was set apart from the remainder of Northern Italy to be operated as a separate region, like other regions it was under the technical supervision of the Allied Commission; that to foreclose political agitation, in lieu of implementing Italian decrees by endorsement thereon as was done in other regions, implementation there was to be accomplished by regional orders that the regional orders of Venezia Giulia were to contain the subject matter of Italian decrees decided upon by higher authority for implementation; and that to avoid political implications, no steps would be taken in the wording of such regional orders which would support, or appear to support, or prepare for, any ultimate disposition of the area to any claimant nation.

4. Upon examination the reasons advanced in support of the loan procedure authorized by the order of Military Government, Venezia Giulia, fail to have the merit claimed for them. As one example of this, it is urged that had such loans been made after the pattern of the Italian decree, upon default in payment the Italian Government would be entitled to foreclose liens and seize the properties concerned, though the Italian Government was expressly excluded from Venezia Giulia. This conclusion is considered to be erroneous. Under International Law, during occupation, the Government of the Italian State was excluded not only from Venezia Giulia but from all of occupied Italy. In all of such territory, within the framework of its authorized powers under International Law and the Armistice terms, occupational government acted under its own right of control. If, in the exercise of such control it was authorized to make loans,

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5. However, aside from all of this, and perhaps more important, is the question whether it was the intent of the original Italian enabling decree that in disbursing funds thereunder the unqualified legal relationship of debtor and creditor was to be established. The contrary would appear to be the case. In Republican Italy, as in the case of every state, there are broad powers vested in Government known as "police powers". Broadly defined, these permit government to do any act within constitutional boundaries that has for its object the preservation of the life, health, morals and well-being of the people of the state. If the people of the state are protected, the state is protected, the state being "We, the people". Threatened with grave unemployment disorders, serious enough to challenge the very existence of the state, under the broad police powers vested in government, and the mandatory duty to exercise them, the Italian Government justifiably might have parcelled out Italian funds either as a "dole" (this was done in Britain, as I recall), through a W.P.A. (this was done in the United States), or as loans to private industry (subsidies), for the purpose of relieving unemployment unrest (as seemingly was contemplated by the Italian decree). The last plan of course, had the virtue that to the extent that ventures thereunder were successful moneys would come back into the Italian Treasury for further use. On the other hand, if loans so made proved uncollectible, as moneys expended lawfully, within the range of permitted choice of methods, no one could complain thereof. Liens and their foreclosure under such circumstances necessarily would become matters of secondary, not primary, importance. The Italian decree with which we are concerned, without doubt, was passed under the broad police powers vested in the Italian Government. It was optional to Allied Military Government whether the decree should be implemented in Venezia Giulia, admittedly under Italian sovereignty. If decided in the affirmative, transactions thereunder would not be "loans" in the true sense, according to best interpretation, but, rather, expenditures by way of subsidy made for the Italian state in the region of Venezia Giulia. By following the decree (observed elsewhere by Government in Republican Italy), unquestionably such authorized expenditures by Allied Military Government could never be successfully challenged by the Italian State. Thus construed, Allied Military Government simply would be following a plan authorized for the expenditure of Italian funds by government under authority of the Italian State.

6. Therefore, while Venezia Giulia has proceeded with transactions of this kind as though lending out taxpayers' money on security, careful study of all considerations in this connection reveals the circumstance that disbursement of such moneys was actually made under an authority of much broader intent, and this seems to have been understood by all except, perhaps, Venezia Giulia. The Italian decree, in terms, refers to loans, but it is believed that thereunder the relation of lender - borrower, with its incidents of liens and foreclosures, was but collateral to the main purpose of granting a subsidy to industry for the relief of unemployment, and that in promulgating the subject matter of the decree in Venezia Giulia it would have been better to have followed it closely rather than to substitute therefor that which was contained in the order issued.

7. It is interesting to observe that there is distinct evidence

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7. It is interesting to observe that there is distinct evidence that two conflicting viewpoints exist side by side and at the same time at Venezia Giulia concerning the present status thereof. In an envelope hereto attached (see Flag "3") will be found two revenue stamps which I personally obtained from civilians who purchased cigarettes in Trieste.

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These stamps recite, "Monopoly of the State Venezia Giulia". Unquestionably, these stamps have been issued with knowledge, if not design, on the part of Military Government, Venezia Giulia. The other view is set out in a statement of educational policy, given to the press, and published in "Basic News", (88th Division), Page 13, which I attach for information (see Flag "C"). Thus, both of these views having been brought to public attention, the question arises as to which of them the world at large should believe. From the long and illuminating discussions in which I participated at Trieste, I came to the conclusion that whatever reference has been made to the "State of Venezia Giulia" in prior local writings and discussions was a resort to terms employed in describing the independence of Venezia Giulia not only from Italian sovereignty, but sub-consciously from other authority. In this connection it is considered unnecessary that I refer again to the position I have heretofore taken on the distinction between "State" and "Government". In my opinion my views on this subject are in accord with the proclamation of General Alexander, as referred to in the educational news item (Flag "C") and the language and intent of the pertinent directive. If it is seriously contended that the directive making Venezia Giulia a separate region was broad enough to make it an independent region and, by virtue of that fact, a "state", then only by the operation of mystic powers could this be true, for it was beyond the powers of the Military Governor by use of military orders to create a "state" where none existed. If, on the other hand, local reference to the "State of Venezia Giulia" was made to convey the idea that Venezia Giulia was independent of Allied Control, an equally false position was taken, if my interpretation of the Supreme Allied Commander's directive is sound.

RECOMMENDATIONS

8. The remedy to be applied in this case is simple. If what has been said regarding educational policy of Allied Military Government is correct (see Flag "C"), the acceptance thereof by all concerned is all that is presently required. In my opinion, the well-considered directive issued by the Supreme Allied Commander to the Eighth Army leaves little to be desired. Therein the position of Venezia Giulia is described as that of a separate Region, functioning like other regions under a chain of command to higher headquarters. For political reasons, in the discharge of legislative functions by Venezia Giulia, Italian decrees decided upon by higher authority for implementation therein should be contained in its regional orders, in lieu of conventional implementation by endorsement on the decrees themselves. In shaping regional orders containing the subject-matter of such decrees, care should be taken not to indicate therein any preference or leaning in favor of any nation claiming that territory.

9. If and when problems arise, the solution of which may not be arrived at by use of this simple guide, it will then be necessary that a different formula be prescribed.

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9. If and when problems arise, the solution of which may not be arrived at by use of this simple guide, it will then be necessary that a different formula be prescribed. As shown from the discussion herein, the legislative decree in question presented no such problem. It is not considered necessary that the language of this directive be clarified by additional writing. In unusual situations an oral explanation of the reasons for the language used in the directive, and its intent, would go far in establishing a uniform understanding. As the necessity might arise, this could well be done at a conference of personnel duly assembled for such purpose.

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10. Concerning loans already made in Venezia Giulia, to avoid future controversy it is desirable that they be regularized under the procedure which should have been followed there in the first instance. Such procedure contemplated getting authorization from the Italian state for expenditures to be so made in its behalf, and the consent of higher Allied authority to expend these funds. Too much care cannot be taken in protecting our Governments from claims occasioned by irregular action in this regard. As these loans were made, germs of future controversy were definitely planted. It is highly desirable that they now be eradicated. This can but be attempted as outlined below in recommendations made by the financial director, in which I join.

John K. Wheeler

JOHN K. WHEELER

Colonel, Infantry
Chief Legal Adviser

ADDITIONAL JOINT RECOMMENDATIONS AND REMARKS

1. That further loans to industry under V.G. Order No. 184 be forthwith suspended.
2. That supporting papers for the loans already made by A.M.G. from the local Treasury (V.G.) be forwarded to Allied Commission.
3. On receipt of these papers it is planned to approach the Italian Government, through the Banca d'Italia, with a view to the transfer of these loans to the banks under guarantee of A.M.G.
4. It is our opinion that funds taken from the Local Treasury by A.M.G. are in fact, Italian Government funds, and that the Government will recognize this.
5. We propose that the Italian Government be asked to " earmark" an amount in favour of A.M.G. from the funds allocated under the Italian Decree covering rehabilitation loans to industry.
6. The amount to be so " earmarked" should be sufficient to cover guarantees to be given by A.M.G. to the banks for loans already granted, or to be approved in the future.

1875

Forwards
JOHN K. WISER
Colonel, Infantry
Chief Legal Advisor

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6. The amount to be so " earmarked " should be sufficient to cover guarantees to be given by A.M.G. to the banks for loans already granted, or to be approved in the future.
7. V.G. Order No. 184 should be rescinded and a new order issued following the subject matter of the Italian Decree.
8. If the Italian Government does not accept these proposals, a re-examination of the position of these loans will then be necessary.

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9. In any case, any future loans to industry in Venezia Giulia should be subject to technical control of Allied Commission as laid down in AFHQ A.C. 187/207 G.E.-O of 26 June 1945.
10. Turning from the question of loans to that of the overdraft account in the name of A.M.G. with the Banca d'Italia Trieste, we consider that the Provincial, Comunal, State and "Special Expenditure" Budgets approved by A.M.G., and charged to this account, should be sent to the Allied Commission for official communication to the Italian Government.

Examination

Approved
Sec. Inf.

1874

Examination

Monitors
Sec. Inf.

1674

229.

Ref. : 5009/229/EC

// December 1946

My dear Mr. Prime Minister,

- 224

I refer to my letter 5009/224/EC of 6 November 1946 on the subject of the steps taken to implement the interim policy for the rehabilitation and utilisation of Italian Ship Repair and Shipbuilding facilities.

I should be very grateful, my dear Mr. Prime Minister, if the information requested in this letter could be furnished with the least possible delay.

Very truly yours,

W. Henry V. Stone

MILERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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

Copy to: Navy S/O

224, 230 ref.

1073

PAH
AR

224

Ref: 5009/224/20

6 November 1946.

My dear Mr. Prime Minister,

(127)

The Supreme Allied Commander, Mediterranean Theatre, adopted some months ago an interim policy for the rehabilitation and utilization of Italian ship repair and shipbuilding facilities to provide for the recovery of the industry in the interests of Italian economy and to alleviate unemployment. This policy is without prejudice to any terms which may be imposed by the Peace Treaty with Italy. A letter was addressed to your predecessor setting forth this policy and in which specific conditions were outlined with the view to utilizing Italian ship repair and shipbuilding facilities in the most practicable manner advantageous to Italian economy and Allied interests.

I am enclosing herewith a copy of the above-mentioned letter dated 30 November 1945 addressed to your predecessor. In this letter it was requested that the Italian Government take certain steps to implement the policy set forth by the Supreme Allied Commander and to inform the Allied Commission periodically as to progress at quarterly intervals with respect to the coordination and implementation of this policy.

I should be very grateful, my dear Mr. Prime Minister, if I could be informed as to what steps have been taken to implement the above stated policy and the state of progress of ship repair and shipbuilding facilities since January 1st, 1946.

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USN
Chief Commissioner

1672

Mr. Alcide De Gasperi,
President of the Council of Ministers,
Italian Government.

Copy to: Chief Commissioner.
Navy S/O.

See M-225, 226, 227, 229, 230.

P.A. 1/11/46

Woy

5009 A

219

973.02.

Conference on Loans in V. G. to Industry.

OCT 14 1946

1. G-5 136 ALCOM 8 Request your comments, and proposed amendments, if any,
Oct. to the attached draft.
46

218

ALH/ro

A. L. HAMBLER
Colonel, G.S.C.
Assistant Chief of Staff, G-5

- 2 CC G-5 12 My comments on the attached are given in the insertions
ALCOM AFHQ Oct. and deletions which I have made in pencil and underlined
Atti 46 in red.
Colonel
Hamblen

I am supported in these views by an opinion received
from my Chief Legal Advisor, which is attached hereto as
part of this indorsement.

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Copy to: Chief Legal Advisor
Ex Com ✓
CC

1671

(CAMP)

PP 10/10/46

DRAFT

SUBJECT: Pump-priming of Industry Venezia Giulia.

TO : S.C.A.O. AMG Venezia Giulia.

1. In conformity with instructions of the Supreme Allied Commander, a conference among representatives of AMG Venezia Giulia, the Allied Commission, the British and United States Embassies, and G-5 AFHQ, was held in Rome on 27 September 46 to examine the policies and procedures under which AMG Venezia Giulia had made loans to commercial companies in Venezia Giulia.

2. It was ascertained that the policy of AFHQ to assist key industries necessary to preserve minimum economy of an area, and to assist in overcoming unemployment has been carried out in Venezia Giulia.

3. The procedure followed in the remainder of Italy whereby banks made loans to industry backed by a Governmental guarantee has not been followed due to the fact that the banks have not been willing to make such loans even on any guarantee which AMG Venezia Giulia was authorized to give.

4. ^{As reported} So far as is known AMG Venezia Giulia did not seek guidance or instructions either from the Allied Commission, or AFHQ, as to the possibilities of securing a guarantee acceptable to the banks, from the Allied Governments, but elected instead to make direct loans from AMG funds. In Order No. 184, AMG 13 Corps, there appears in the preamble the words "that loans should be made by the 'State'". It is presumed that this "State" refers to a fictional state of Venezia Giulia. ¹⁰⁰⁰ Within this "State of Venezia Giulia" there was established a Treasury. No other "State" Department appears to have been established. While funds expended from this Treasury were controlled by legislation (decrees, orders) such legislation was in fact AMG legislation and the funds AMG funds. In addition certain expenditures of funds were made by AMG without passing thru the "State

27 September 46 to examine the policies and procedures under which AMG Venezia Giulia had made loans to commercial companies in Venezia Giulia.

2. It was ascertained that the policy of AFHQ to assist key industries necessary to preserve minimum economy of an area, and to assist in overcoming unemployment has been carried out in Venezia Giulia.

3. The procedure followed in the remainder of Italy whereby banks made loans to industry backed by a Governmental guarantee has not been followed due to the fact, that the banks have not been willing to make such loans even on any guarantee which AMG Venezia Giulia was authorized to give.

4. ^{So far as is known} AMG Venezia Giulia did not seek guidance or instructions either from the Allied Commission, or AFHQ, as to the possibilities of securing a guarantee acceptable to the banks, from the Allied Governments, but elected instead to make direct loans from AMG funds. In Order No. 184, AMG 13 Corps, there appears in the preamble the words "that loans should be made by the 'State'". It is presumed that this "State" refers to a fictional state of Venezia Giulia. 1000

Within this "State of Venezia Giulia" there was established a Treasury. No other "State" Department appears to have been established. While funds expended from this Treasury were controlled by legislation (decrees, orders) such legislation was in fact AMG legislation and the funds AMG funds. In addition certain expenditures of funds were made by AMG without passing thru the "State Treasury". Whether the creation of the "State of Venezia Giulia", and the artificial segregation of funds by this creation into two categories was necessary or even desirable is debatable. Fundamentally there was and is only one governing authority (AMG) and one type of funds (AMG). Whether the segregation of authority and funds by the method adopted will prejudice the final responsibility for occupational costs depends upon the full knowledge of the fact that AMG Venezia Giulia and the State of Venezia Giulia are identical.

See 7-219

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- 2 -

It would appear that the provisions of paragraph 15 b, Directive for Allied Military Government in that Part of Venezia Giulia Occupied by Allied Forces, AFHQ file AG 387/207/GHQ-O dated 26 June 1946¹⁹⁴⁵ should have been followed prior to the establishment of the State of Venezia Giulia, and its Treasury.

5. While it is possible that some other procedure more desirable could have been evolved it is considered that at this late date no compensating advantage would offset the obvious disadvantages of changing the present set-up and procedures for allocation and accounting of AMG funds. *but it is believed that CCs should be notified of what is recommended and its approval requested*

6. In the present inquiry which has been for the purpose of inquiring into basic policies and procedures there has been no effort to determine the commercial soundness of loans, the regularity of financial transactions or accountancy methods.

A. L. HAMELEN
Colonel, G.S.C.

Assistant Chief of Staff, G-5

1-19

Changes by Admiral in red

5. While it is possible that some other procedure more desirable could have been evolved it is considered that at this late date no compensating advantage would offset the obvious disadvantages of changing the present set-up and procedures for allocation and accounting of AMG funds.

It is the policy of the Army to maintain the present set-up and procedures for allocation and accounting of AMG funds. It is the policy of the Army to maintain the present set-up and procedures for allocation and accounting of AMG funds.

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A. L. HAMLEN
Colonel, G.S.C.

Assistant Chief of Staff, G-5

100

Change by Administrative

216
TO: The Chief Commissioner

I have read with interest the report Ref. 13C/AMG/ETH/D/I/ME, 24 September 1946 of the C.F.O., AMG XIII Corps on the subject of Financing of Industry in Venezia Giulia. I must confess that I have experienced difficulty in following some of the premises therein set out.

There is a vast difference between a "State" on the one hand and "Government" on the other. A "State", as correctly said in the first three words of the U.S. Constitution, is "We, the people". "Government" on the other hand is but an agency or vehicle created by the "State" which is granted certain powers by the "State", usually embodied in a written constitution, as in the U.S., or an unwritten one, such as in the U.K. But "Government" has and has only such powers as the "State" permit it to have. Usually, as in the U.S. and U.K., such powers are carefully defined and definitely restricted. Hence, when "Government" acts beyond its powers, it does an unauthorized or unconstitutional act.

There is a "State" in Venezia Giulia. Whether the "State" in Venezia Giulia is Italy at the moment, and hereafter may be an independent state, the fact remains that such "State" is not the Allies, nor its agency, Allied Military Government, known as AMG XIII Corps. The latter is not, nor can it ever pretend to be the "State" of Venezia Giulia. It began and will end as "Government".

This is important. In Venezia Giulia, as elsewhere in occupied Italy, the acts of Allied Military Government must at all times be within the permitted limits authorized to "Government". Certainly it is ultra vires the power of "Government" to constitute itself as the "State", and to act as if it were "We, the people".

If, in the instant case, loans are made by "Government" to industry, the power to do so must be bottomed on some grant from the "State" and the mechanics thereof must adhere to those prescribed for observance by "Government". If and when "Government" seeks to act without regard to such powers and the mechanics prescribed in the exercise thereof, the pretended assertion of such powers is beyond the authority of occupational "Government" and fails not only to be a lawful act binding the "State", present or future, but is tortuous in character and may result not only in liability for the officers concerned but also for their national governments for whom they pretend to act.

It is my distinct impression that elsewhere than in Venezia Giulia, Allied Military Government in Italy rigorously has at all times acted within its powers as "Government" and has carefully adhered to the mechanics prescribed for "Government" action. I do not understand that at any time it has acted as if it were above and beyond such powers and mechanics, a field which belongs to "We, the people" in their capacity as a "State". If it is seriously contended in the reference report that by some magic, Occupational "Government" in Venezia Giulia has been anointed with the powers of a "State" to make such rules and adopt such mechanics as it in its wisdom may ordain, then the laws of mankind have taken a twist with which I am not presently familiar.

As long as Venezia Giulia...

of the State, usually embodied in a written constitution, as in the U.S., or an unwritten one, such as in the U.K. But "Government" has and has only such powers as the "State" permit it to have. Usually, as in the U.S. and U.K., such powers are carefully defined and definitely restricted. Hence, when "Government" acts beyond its powers, it does an unauthorized or unconstitutional act.

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As long as Venezia Giulia military "Government" acts as "Government" within permitted limits, its acts are binding and it becomes unnecessary to conjecture on what the future "State" of Venezia Giulia may be or do. Let that bridge be crossed when it is reached by those whose duty it will be to solve the problems of that day.

The position which "Government" in Venezia Giulia has assumed herein is obscure. From the reference report it might be concluded that in the financing of industry it has exercised sovereign powers of a "State" as distinguished from permitted powers to "Government". On the other hand, in seeking liens after the loans were made, it tacitly admits that its powers are not sovereign after all, but only "Governmental". If it admits the latter, it follows that it is not enough that it secure such liens, but that all the mechanics prescribed for observance by "Government" should be followed.

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Nothing I have said in any manner collides with the powers of the Allies to act in a given factual situation with regard to what they may feel politically or economically expedient even beyond their rights as an occupying power under Articles 18 to 20 of the "Long Terms" Armistice of September 29, 1943. But even in so exceeding their legal rights, this distinction is to be noted. The Allies do not pretend to act as the "State" of an Alien people nor to bind them. Quite to the contrary they act in their own behalf and on their own liability. While in so doing they may hope or expect to be reimbursed for liabilities incurred beyond their contractual rights to recover, the settlement, if any, is a result of a supplementary contractual agreement of the respective States after the liability is incurred, and is not predicated on prior pretended powers, actual or asserted.

JOHN K. WEBER,
Colonel, Infantry,
Chief Legal Advisor

12 October 1946

1007

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212

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

ALH/RE/CO

15 November 1945

G-5: 826.11 NET

SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.

TO : Headquarters, Allied Commission, APO 396. *Not this file* 122

1. Reference is made to your letter, subject as above, file WOC/3624, dated 12 October 45, with special reference to the first seven paragraphs therein which refer to the Montefalcone Shipyards.

2. Your attention is invited particularly to paragraph 6 of AFHQ letter, LOG P 182 of 15 August 45. Except for sub-paragraph b thereof the policy announced therein is adhered to until a differing policy is determined. In connection with sub-paragraph b the statements made in your paragraphs 4, 5, 6, and 7 are noted. There is no necessity however for the shipbuilding yards at MONTAFALCONE being required to maintain and equip either Allied warships or merchant ships or Italian warships, or any known necessity for their being required for Italian merchant ships. The rehabilitation done would serve primarily to make work and secondarily to construct small craft and finish certain specified unfinished work.

3. The remainder of your letter raises issues which involve a change of present policy. Such a change in policy is envisaged by C-in-C Med's letter to the Supreme Allied Commander, reference Med. 45/829/4/18 dated 21 October 45, a copy of which was forwarded to you. It is hoped that you will be furnished with new instructions on this subject during the course of the next few days. Until you receive such instructions, it is desired that you give no new policies with reference to shipbuilding and repair to the Italian Government.

Not to
file

M-213 *refuse*

(Signed) A. L. HAMBLIN

A. L. HAMBLIN
Brigadier General, G.S.C. 1366
Assistant Chief of Staff, G-5

Copy to: C-in-C Med.

+ Para 6(b) of Log P182 stated that no objection was raised to the Italian Government advancing funds for rehabilitation of shipyards. *PA 3/19/46* *me*

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CONFIDENTIAL

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Memo

13 SET. 1943

MONFALCONE

1. In reference to your enquiry regarding loans of L 700 m. and L 200 m. to finance shipyards in Monfalcone (Trieste).
2. These two items are not shown in the accounts of A.M.G. Venezia Giulia. The advances were therefore, not made from A.F.A. funds. AFHQ G-5 (Fin Adv) states (verbally) approval for the advances was NOT given by that section.
3. An investigation of the monthly returns made by the Banca d'Italia Trieste to its Amministrazione Centrale does not make mention of any such advances.
4. However, the Provincial Treasury account with the Banca d'Italia is, at 31 May 46, in debit to the Bank for about 3 Billion lire, which figure is increased to about 7 Billion lire at the end of July. No particulars are available of the items involved.
5. It seems likely that these two advances are included in the total Provincial Treasury figures and that the funds were provided through "State Budget" procedure, the control of which, in the normal course, is exercised by the Corte dei Conti, formerly in close co-operation with the Finance Sub-Commission (Ex Memo N°10 refers). Applications for advances are made on forms SB and, if the budget is approved by the PFO and RFO (CFO in the case of V-G) an "order of credit" is issued on the Provincial Treasury and signed by the PFO.
6. The information given by the Banca d'Italia is that the Corte does not examine Forms SB from V-G and, with the closing of Finance S/C the final control would appear to rest with the CFO unless, of course, some substituted form of control exists, of which there is no indication.
7. The problem of "the immediate limited reactivation of the shipbuilding work at Monfalcone to relieve unemployment and prevent local disturbances" is dealt with at length in letter NSC/3624 dated 12 Oct 45 to AFHQ G-5 Section.

(Capt K)

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See M-206, 207 etc

RA 3/9

-2-

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7.ctd. Attention is drawn to Para 6 of that letter reading:-

" The Finance Sub-Commission, Hq AG does not make direct advances to Italian industry through its subsection the Allied Financial Agency. If it is found desirable for reasons of military necessity to rehabilitate the Monfalcone Shipyard during the AMG period in Venezia Giulia, the Finance Division of AMG Venezia Giulia will provide the necessary funds. These funds will come from the same source as all other State expenditure in Venezia Giulia, i.e. by an advance from the central bank (the Banca d'Italia). The amount of state debt represented by this and similar advances will represent an obligation to be taken over by the power which is finally awarded sovereignty over the area."

8. Part of the advances is for the payment of wages of workmen in the shipyards and will become included in the note circulation, the ultimate liability for which is subject for determination by the Peace Treaty.

12 Sep 46



L.R. BATTENSBY, Colonel, GL
Director Allied Financial Agency

TO: Chief Commissioner
Hq Allied Commission
APO 794.

LRB/mfw

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ADQUARTERS ALLIED COMMISSION
NAVY SUB-COMMISSION APO 784~~SECRET~~~~SECRET~~

CONFIDENTIAL

NSC/5378
17 August 1946

AUG 17 1946

MEMORANDUM FOR EXECUTIVE COMMISSIONER:

Subject: NAF 1191 - Payment for Services and Materials furnished by Italy for repair of Allied ships. 197

1. Paragraph 5 of NAF 1191 sets forth in the form of a recommendation that ships whether U.S. or British, which are based on Italy or primarily engaged in occupational duties "which continue to be repaired as necessary in Italian facilities and that no demands be placed on the Allied Governments for financial assistance."
2. The same paragraph referred to above, paragraph 5, further sets forth that in the case of naval ships the SENIOR NATIONAL NAVAL COMMANDER in Italian waters shall be the judge as to whether ships under his command are authorized to be repaired under the above policy and that for commercial craft decision shall rest with the local chief of national governmental agency operating such craft, and further recommends that all material, expended for all ships excessive of labor costs and excepting for vessels which are based on Italy and engaged on occupational duties, shall be credited or paid to the Italian Government with the currency of the nationality under which the ship is operated.
3. While the above appears somewhat ambiguous in that the distinction is made for vessels based on Italy and/or engaged primarily on occupational duties shall be repaired without cost to the Allied Governments or financial assistance and other types of naval and commercial craft, nevertheless, this seems to be covered by virtue of the fact that the senior national naval commander shall be the judge as to whether vessels under his command are to be repaired under this policy and similarly the chief of the governmental agency operating commercial craft is the judge of the policy for repairing of commercial vessels.
4. In view of the above it is considered that NAF 1191 is not in conflict with the American Civil Affairs Agreement, particularly paragraph 9(b) which sets forth the policy that cost for all services and facilities "with certain exceptions" shall from 1 July 1946 be the responsibility of the U.S. Government.

*Respectfully,
G. F. Mentz*G. F. MENTZ,
Captain, U.S. Navy,
Chief Staff Officer,
(NSC)

See 200-203.

(C50)

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

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~~SECRET~~

AUG 08 1450

ACTION TO : AGWAR WASHINGTON CABINET OFFICES WHITEHALL
 INFO : ALCON ROME CINC MED 127 *127* AUG 12 1946

~~SECRET~~ PD PARA ONE PD SUBJECT IS PAYMENT FOR SERVICES AND MATERIALS FURNISHED BY ITALIANS FOR REPAIR ALLIED SHIPS PD PAREN TO AGWAR WASHINGTON FOR CDS AND CABINET OFFICES WHITEHALL FOR BCS REPEATED FOR INFO TO ALCON ROME AND CINC MED SIGNED SIGNED CITE FUGEG PD THIS IS NAF ONE ONE NINE ONE PAREN PD AS STATED IN NAF ONE ZERO NINE FIVE CMA THE ITALIAN GOVERNMENT WAS INFORMED THAT THE REPAIR OF ALLIED NAVAL AND MERCHANT SHIPS WOULD BE GIVEN FIRST PRIORITY IN ITALIAN SHIPYARDS AND THAT NO DEMANDS WOULD BE MADE BY THE ITALIANS FOR FINANCING SUCH SHIP REPAIR AS SUCH FINANCING WAS CONSIDERED AN ITALIAN GOVERNMENT RESPONSIBILITY PD PARA TWO PD A STATEMENT HAS NOW BEEN RECEIVED FROM THE ITALIAN GOVERNMENT THAT IT IS NOT ABLE TO SUPPLY THE NECESSARY MATERIALS REQUIRED FOR REPAIRS UNLESS THE MATERIALS ARE REPLACED OR PAID FOR IN FOREIGN CURRENCY PD IT IS STATED FURTHER THAT BECAUSE REPLACEMENT IN KIND IS NOT OF EASY SOLUTION THAT CURRENCY PAYMENT IS DESIRABLE PD PARA THREE PD SHIPS WHICH RECEIVE REPAIRS IN ITALIAN PORTS MAY BE DIVIDED INTO TWO CLASSIFICATIONS CLN FIRSTLY CMA THOSE STATIONED OR BASED ON ITALY AND ENGAGED PRIMARILY IN DUTIES CONNECTED WITH THE OCCUPATIONAL FORCES CMA AND SECONDLY CMA THOSE WHICH MERELY TOUCH AN ITALIAN PORT EITHER FOR REPAIR PURPOSES OR AS A PORT OF CALL AND WHICH ARE BASED ELSEWHERE PD PARA FOUR PD A LARGE PORTION OF MATERIALS FURNISHED FOR SHIP REPAIRS ARE PROCURED THE ITALIANS BY IMPORT CMA EITHER AS RAW MATERIALS CMA

~~SECRET~~HEADQUARTERS
10 AUG 1946

(CART K)

See 7-199

-2-

~~SECRET~~

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CONFIDENTIAL

COMONENTS PARTS OR FINISHED PRODUCTS CMA FOR WHICH EITHER DOLLAR OR STERLING CREDIT IS EXPENDED PD THE ALLIES ARE GIVING THE ITALIAN GOVERNMENT SUBSTANTIAL ASSISTANCE IN THE REHABILITATION OF ITALY PD MANY OF THE ALLIED RIGHTS UNDER THE ARMISTICE TERMS ARE BEING HELD IN RESERVE PD IT THEREFORE APPEARS INCONSISTANT THAT THE ALLIES SHOULD DEMAND THAT MATERIALS FOR REPAIR OF SHIPS WHICH ARE NOT DIRECTLY CONNECTED WITH THE OCCUPATIONAL FORCES SHOULD BE FURNISHED WITHOUT PAYMENT IN THE CURRENCY OF THE COUNTRY OF OWNERSHIP PD NO SUCH ARGUMENT CAN BE ADVANCED FOR THE PAYMENT OF WAGES TO ITALIAN LABOUR CMA WHICH CHARGES SHOULD CONTINUE TO BE BORNE BY THE ITALIAN GOVERNMENT PD PARA FEVE PD IT IS RECOMMENDED THAT SHIPS WHETHER NAVAL OR COMMERCIAL WHICH ARE OPERATED BY THE U S OR BRITISH GOVERNMENTS OR THEIR GOVERNMENTAL AGENCIES AND ARE BASED ON ITALY OR ENGAGED PRIMARILY ON OCCUPATIONAL DUTIES SHALL CONTINUE TO BE REPAIRED AS NECESSARY IN ITALIAN FACILITIES AND THAT NO DEMANDS BE PLACED ON THE ALLIED GOVERNMENTS FOR FINANCIAL ASSISTANCE PD FOR NAVAL SHIPS THE SENIOR NATIONAL NAVAL COMMANDER IN ITALIAN WATERS SHALL BE THE JUDGE AS TO WHETHER SHIPS UNDER HIS COMMAND ARE AUTHORIZED TO BE REPAIRED UNDER THIS POLICY PD FOR COMMERCIAL TYPE CRAFT CMA DECISION SHALL REST WITH THE LOCAL CHIEF OF THE NATIONAL GOVERNMENTAL AGENCY OPERATING SUCH CRAFT PD IT IS FURTHER RECOMMENDED THAT ALL MATERIAL CMA BUT NOT LABOUR COSTS CMA EXPENDED FOR ALL SHIPS CMA OTHER THAN THOSE OF THE FIRST 1661 CATEGORY CMA SHALL BE CREDITED OR PAID TO THE ITALIAN GOVERNMENT IN THE CURRENCY OF THE NATIONALITY UNDER WHICH THE SHIP IS OPERATED

~~SECRET~~

HEADQUARTERS

10 AUG 1946

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~~SECRET~~

AC DIST

ACTION: NAVY S/C (2).

INFO: C COMMR

EX COMMR

POLAD (A)

POLAD (B)

ECON SEC (2)

TRANS

FILE

SKELETON

CONFIDENTIAL

1680

~~SECRET~~

HEADQUARTERS

10 AUG 1946

A. C.

5009
HEADQUARTERS ALLIED COMMISSION
APO 794
ECONOMIC SECTION

REF: ES/

27 July 1946

SUBJECT: Report for Foreign Office

AIRMAIL

TO : War Office
London, England

1. In response to your signal Ca 2 (B) No. 4, 20 July 1946, there is included herewith such information on Italian reconstruction as can be collected by the Allied Commission. The information is meager but is all that can be furnished by the Commission.

2. In view of the reduced functions of the Allied Commission and the shortage of staff, it is suggested that future inquiries for information for the Foreign Office be directed to the British Embassy.

FOR THE CHIEF COMMISSIONER:

(Signed)

CHARLES W. WALTON

Colonel, A.C.

Acting Vice President

CHARLES W. WALTON

Colonel, A.C.

Acting Vice President

ENCL. 6A)

Ltr. I. & U. Br., 5587/IND, 24/7/46

Ltr. I. & U. Br., 5587/IND, 193

Communications Report 187

Ltr. T. & S. Br., AC/321/Tn.1, 23/7/46 186

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see by 30/7/46 Minutes 175 ref

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HEADQUARTERS ALLIED COMMISSION
APO 794
INDUSTRY AND UTILITIES BRANCH

Ref: 5587/IND

July 1945

SUBJECT: Rehabilitation during Military Occupation.

TO: Acting Vice President, Economic Section.

1. The rehabilitation of electrical facilities of Italy was accomplished under the guidance of the Electrical Division of the Public Works and Utilities Sub-Commission, Allied Commission and Public Works Officers of the Regions. Some supervision and help on first-aid work were furnished shortly after an area was liberated by units of the Army Engineer Corps and the British Royal Engineers. The British Royal Navy directed the rehabilitation of the 45,000 KW Capuano thermal plant at Naples. All of the actual physical work and direct supervision were done by the power companies themselves with advice and assistance from the AC and AMG Public Works Officers.

2. During the period from liberation to 31 December 1945, approximately 11% or 639,000 KW of generating capacity was restored to service, bringing the total then in operation to 82% of pre-war, approximately 10% or 172,000 KVA of sub-station capacity was restored to service, bringing the total then in operation to 81% of pre-war, and approximately 39% or 15,000 Kilometers of transmission lines were restored to service, bringing the total then in operation to 83% of pre-war.

3. In the case of roads and bridges, the advancing armies replaced destroyed bridges with temporary structures including, Bailey bridges, improvised wooden structures and by-passes. The road repairs consisted of filling in shell holes and shoving aside the debris where hillsides, bluffs, and buildings had been blasted by the enemy to block the highways. The advancing armies merely cleared a passable road through such obstructions. Later, Public Works Officers of AMG took over the actual responsibility of making the roads more passable. This was done with Italian labor in conjunction with the Italian Highway Engineers. The military authorities assisted to a great extent by furnishing cement, asphalt and road machinery. As rapidly as possible the Bailey bridges and other temporary structures were replaced by permanent installations by the Ministry of Public Works under the approval and guidance of the AMG Public Works Officers and AC. Due to the shortage of materials the early rehabilitation work was confined to the main arterial highways in order to provide through routes for the movement of military personnel and supplies.

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See 7-194

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4. Of the 22,000 bridges in Italy, approximately 75% were destroyed. As of 31 December 1945 about 30% of the bridges had been fully replaced and a large part of the remainder either needed reconstruction or some repair.

5. There are approximately 21,000 kilometers of state roads, 41,000 kilometers of provincial roads and 115,000 kilometers of communal roads in Italy. As of 31 December 1945 practically all of the roads were passable, but considerable maintenance was still required on the provincial and communal roads in order to restore them to pre-war condition. State roads can be considered as in good condition.

6. A little over 500 pieces of road machinery were imported or obtained from military sources and turned over to the Ministry of Public Works in order to help them to carry on the roads' rehabilitation program. This equipment consisted of tractors, shovels, trailers, trucks, scrapers, crushing plants, concrete mixers, asphalt plants etc. In addition large numbers of enemy captured vehicles and trucks were turned over to the Ministry of Public Works for use on the rehabilitation program.

7. On all Public Works projects, including roads, bridges, housing, water systems, aqueducts, ports and public buildings, etc., the total amount of projects, exceeding 1,000,000 lire, approved by the Public Works Division represented an estimated expenditure of approximately 25 billion lire. In addition, there were many projects of less than 1,000,000 lire that were handled locally.

8. On housing it was estimated that over 5 million rooms were destroyed or damaged and up to 31 December 1945 approximately 620,000 or 12% had been repaired. In addition, temporary barracks (caserttas) were provided so that by the end of 1945 it is estimated that about one-half of the roofless population or 750,000 persons had been provided housing.

H.M. WALKER
Colonel, C.E.
Director
Industry & Utilities Branch

1657

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HEADQUARTERS ALLIED COMMISSION
APO 794
INDUSTRY AND UTILITIES BRANCH

Tel. 489081 - Ext. 589

TGE/hjb

Ref. 5587/IND

24 July 1946

SUBJECT : Industrial Rehabilitation during Military Occupation.
TO : Acting Vice President, Economic Section.

1. Signal C.A2 (B) No.4 of JUL 20 1000 from Troopers refers.
2. The total percentage of plant capacity destroyed or damaged by war activities in Italy was unevenly distributed throughout the country. The Naples Area and Tuscany suffered the most severely, whilst the highly industrial north, especially Milan, Genoa and Turin, escaped comparatively lighter.
3. The division of industrial capacity is approx 70% in the Po Valley and the North with the remaining 30% divided between Central Italy and the South.
4. During the German retreat from Salerno to Cassino, they systematically destroyed all industries likely to be useful to the Allied War Effort, this included Steel Factories, Torpedo Plants, Ship-yards and Gun Factories.
5. These plants were only capable of much reduced activity and the only workable sections were usually requisitioned by Allied Units for their direct needs.
6. At this stage much reconstruction was done by the Allies, shops were rebuilt, machinery repaired and thousands of Italians employed working directly for the Allies in Base installations and on the docks.
7. This lead to the assimilation of personnel who would otherwise have been unemployed due to the factory destruction and lack of raw materials.

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8. The Industry S/C of the Allied Commission encouraged the Italian Factory owners to commence reconstruction of their damaged plants and under considerable difficulties this work proceeded, starting in a small way and gradually increasing, as materials and labour became more plentiful.

9. The above picture was generally prevalent south of the Gothic Line and was a difficult period as raw materials were limited and only sufficient to implement the "Disease and Unrest" directive and to meet Army requirements.

10. Steel works, foundries and machine and construction shops were re-organised and set to work, originally for Allied needs and as these diminished, the surplus production was made available for civilian requirements. (Raw materials, transportation and technical help was made available from Allied sources.)

11. After the break through into the Po Valley and the defeat and surrender of the German Armies an extremely different picture was encountered. The highly industrial north was virtually intact from sabotage or heavy bombing. The main difficulties were lack of coal and other raw materials which were almost non-existent.

12. Direct unemployment in this time was small, due to the Italian Law forbidding the dismissal of industrial personnel, and many of these whilst nominally on the factory payroll did little or no work.

13. Gradually raw materials began to arrive, coal, cotton, P.O.L., raw rubber, and were distributed through joint AC/ANG/Italian committees, and the workers began to find more to do.

14. This situation progressively improved until shipping troubles and the American coal strike slowed down the arrivals of coal. Previously to this the Italian factory owners had been allowed to dismiss a progressive number of their unproductive workers.

These two factors increased unemployment with consequent political difficulties.

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15. The situation as outlined above is as exists at the present moment, and it is pointed out that unless coal and other basic raw materials are made available to Italy in quantities approximating to their factory capacity (i.e. their 1938/39 imports of these materials) unrest and unemployment will be prevalent.

16. It was estimated that 15% of the overall Italian industrial capacity suffered from war damage, this was mostly in port areas chiefly located in southern and central Italy. Approx 5% suffered damage in the north.

17. The present rate of industrial capacity in operation is 45%, which provides for about 55% of domestic requirements. This latter figure may appear low, but is due to the large backlog of civilian needs.

18. Attached as Appendix I is a table showing estimated war damage sustained by the basic Italian Industries and the portion restored to operating efficiency as at 1 Jan 46 when AMG ceased to function and with the exception of Udine and Venezia Giulia the country was handed back to Italian control, and Industrial re-habilitation became a function of UNRRA.


H.W. WALKER
Colonel, C.E.
Director
Industry & Utilities Branch

APPENDIX I.ESTIMATE OF WAR DAMAGE SUSTAINED BY THE MAIN ITALIAN INDUSTRIESAND % RESTORED AS AT 1 JAN 45.

INDUSTRY	LOCATION	% DAMAGED	% RESTORED AS AT 1 JAN 45	REMARKS
1. Chemical	All Italy	10%	95%	None
2. Food and Pharmaceuticals	All Italy	Very small	All	None
3. Steel	Liguria	None	All	Certain items of important plant removed by Germans
	Campania	90%	40%	German demolition
	Tuscany	90%	20%	German demolition & bombing
	North	10%	90%	
4. Cement & Lime	Central & South North	35% Very small	85% All	Actual operation low due to coal shortage. Coal supplied to plants operating for mili- tary and urgent civil needs.
5. Glass	All Italy	50% Buildings 15% Equipment	85% All	Operation 20% due to fuel shortage
6. Textile	All Italy	10%	95%	Most of 10% damage in Central and Southern Italy
7. Rubber	All Italy	40%	95%	Operating at low capacity due to shortage of rubber.

COMMUNICATIONS REPORT

A brief picture of the main items of telecoms plant in Italy seriously affected by damage may be of interest.

21% of the pole routes and 40% of the wire were destroyed.

52% of amplifier station equipment was severely damaged or destroyed.

20% (at least) of the underground cable was damaged.

About 50 of the larger telephone exchanges and several hundred small exchanges were destroyed or seriously damaged.

15 Broadcast transmitters were destroyed, 16 were carried away by the enemy (and found later) while 13 were left in good order.

Radio telegraph service to neutral and Allied countries had been opened as far back as April 1945, at first operated by Allied Companies and later by Italcable.

By August 1945 telephone service was open to all provincial capitals though circuits were very limited in number due to military requirements. Telegraph and telephone services were open to foreign countries.

Radio telephone service to USA which had been inaugurated in November 1944 for official calls was opened to Allied troops in July 1945. Some 15000 calls were passed by troops between July 1st and November 30th, 1945.

At the present date nearly all telephone exchanges and telegraphs offices are operating on the national network. All Broadcast stations are in operation, mostly at reduced powers.

The main civil telegraph net is well supplied with channels nearly all installed since the enemy was pushed out. The civil telephone net has been restored to the extent of about 40% of pre-war circuits between large centres, though in a few areas where fighting took place the smaller centres have only a skeleton service. The civil telephone service will of course be greatly extended when the Allied Military restore the large number of Italian circuits at present being used by them.

Postal services (except parcels) and telegraph services are in existence to all countries in the world except Japan, Korea, and Manchuria, to which service has not yet been permitted. Air mail services are in operation between major Italian cities and are available to most foreign countries.

Ext. 470

HEADQUARTERS ALLIED COMMISSION
APO 794
Transportation and Shipping Branch

AFS/fm

AC/321/Tn.1

23 July 1946

Subject : Kilometres of Single Track repaired.

TO : Economic Section
HQ. AC.Figures appertaining to this branch requested in signal O A 2 (B)
No 4 of July 20.Total track repaired 4,392 kilometres of which 1,237 kilometres is
double track.

Detail figures are appended.

RAILWAY FIGURES - 30 MAY 46.

Figures in kilometres:

Date	Single Track		Double Track		Total		Total
	Steam	Elec.	Steam	Elec.	Steam	Elec.	
1938	13,061	5,327	1,875	2,704	14,936	8,031	22,967
May 1946	13,021	5,485	1,265	1,328	14,286	6,813	21,099
%	99	97	68	49	96	84	92

It must be borne in mind that long stretches of line and many bridges
have only undergone temporary repairs.

A.H. STREET
Lt. Colonel
Director.

See 7-194

5009
C A 2 (B, No. 4
JUL. 201000

TROOPERS LONDON
AFHQ FOR ALCOM

183
H/4877
JUL. 220900B
OP PRIORITY
ME
227

JUL 22 1946

UNCLASSIFIED.

Grateful if you could supply following information by 25 July for purposes of Brief being prepared for foreign office for publicity use abroad.

- (A) To illustrate reconstruction of communications and public utilities by military authorities. How many miles of railway track and roads and how many bridges and public utility plans have been repaired or restored to use during the occupation.
- (B) To illustrate help in restoration of economic activity what figures. Either global or by individual firms are available to show increase in production capacity employment exports etc.

AC DIST
ACTION ~~SM-2000~~ B ECON SEC
INFO CHIEF COMMISSIONER
FILE
FLOAT 2
EX COM.

see M184-1850

HEADQUARTERS

see 7-194

(150)

785017

COPY

EC to handle

EWS

cc

BRITISH EMBASSY
ROME

COPY

55/57/46

12th July, 1946.

My dear Admiral,

Thank you for your letter 24/5.16 of the 1st July. I also have been approached on many occasions by the Italian Government in their efforts to recover Italian property in Germany which was removed from this country during the time of the German occupation and I fully agree with you that it is important from the point of view of Italian economy that such material should if possible be recovered.

For your own information I have not failed to represent this point of view strongly to the Foreign Office, but so far, or at least in so far as the Italian request to send a special mission to Germany is concerned, I have as yet not received any instructions leading to this result. The Foreign Office, - and this I have explained to the Italian Government - is at present only willing to accept from the Italian Government for transmission to the British some authorities lists of looted Italian property believed to be in the British zones of Germany and Austria. When these final lists are received, the British Government will be willing to reconsider the question of the entry of an Italian Mission into the British zones of Germany and Austria to identify the actual property.

The above is briefly how the matter rests at this moment and in view of the already lengthy correspondence which I have had on the subject with London I do not feel that there is any more that can be done by re-opening the question at the present time. While the Italian Government have from time to time sent me sundry details of looted property and information as to its possible whereabouts, I am still awaiting from them their definitive statement which will enable me to ask my Government how soon after examining it they will deem it appropriate to re-consider the Italian request to send a mission. 1613

Yours very truly

/s/ ROSE CHARLES

Rear Admiral H.W. Stone
Chief Commissioner
Allied Commission
ROME

RE DEPT - 17 July
Action - ROSE/MS (2)
Info - CC
- RO

(CAPT R)

18

5009
EC - For Action - CSO
15/7
15/7
181
copy

TRANSLATION

THE AMBASSADOR
OF THE UNION OF SOVIET SOCIALIST REPUBLICS

No. 132

Rome, 12 July 1946.

My dear Admiral,

I have the honor of acknowledging receipt of your letter of July 1946, No. ES/5.16, and of informing you that, according to my opinion, the request of the Italian Government stated in said letter should be forwarded to the Control Council in Germany.

I avail myself of this opportunity, dear Admiral, to express to you the assurance of my perfect esteem.

/s/ M. Kostylov

Rear Admiral Wilcox W. Stone
Chief Commissioner
Allied Commission
Rome

EC DISC - 15 July

ACTION - ROOM 500 (2)
INFO - CS
- HO

1648

(CAPT. K)

16

785017

Ref: ES/5.16

3 July 1946

JUL 5 1946

My dear Minister:

The Italian Government has repeatedly sought advice on how to obtain authorization to send a technical mission to Germany and Austria for the purpose of locating Italian machinery and equipment which was removed from Italy by the Germans. The Prime Minister recently requested the Allied Commission to intervene with the representatives in Italy of the four Nations interested, namely, France, Britain, Russia and America. From the standpoint of the Italian economy the restoration of the materials is most important and I, therefore, give my full support to the proposal of the Italian Government. May I take the liberty of asking your support?

I believe there will be general agreement that the loss of the machinery and equipment is a great deterrent to Italian recovery. Furthermore, it is believed that some of the machinery transferred from plants for which it was especially designed and adaptable is now in plants where it may not be particularly useful.

It is fully appreciated by the Italian Government, and by me, that authorization for an Italian Mission to visit the controlled zones of Germany and Austria is dependent upon the controlling Governments. Likewise, it is understood that the activities of the Mission within a given zone will be subject to the control of the authorities in that zone.

The Supreme Allied Commander has concurred in my presenting this case to you, and also written to the General Officers commanding the British and United States Zones in Germany.

Yours very truly,

/s/ Ellery W. Stone

1647

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honorable Georges Belay
Minister Plenipotentiary to Italy
French Embassy
Palazzo Farnese
Rome

CART X

785017

Ref: NY 516

1 July 1946

My dear Ambassador:

The Italian Government has repeatedly sought advice on how to obtain authorization to send a technical mission to Germany and Austria for the purpose of locating Italian machinery and equipment which was removed from Italy by the Germans. The Prime Minister recently requested the Allied Commission to intervene with the representatives in Italy of the four Nations interested, namely, America, Britain, France and Russia. From the standpoint of the Italian economy the restoration of the materials is most important and I, therefore, give my full support to the proposal of the Italian Government. May I take the liberty of asking your support?

I believe there will be general agreement that the loss of the machinery and equipment is a great deterrent to Italian recovery. Furthermore, it is believed that some of the machinery transferred from plants for which it was especially designed and adaptable is now in plants where it may not be particularly useful.

It is fully appreciated by the Italian Government, and by me, that authorization for an Italian Mission to visit the controlled zones of Germany and Austria is dependent upon the controlling Governments. Likewise, it is understood that the activities of the Mission within a given zone will be subject to the control of the authorities in that zone.

The Supreme Allied Commander has concurred in my presenting this case to you, and also written to the General Officers commanding the British and United States Zones in Germany.

Yours very truly,

ELLERY W. STONE

ELLERY W. STONE
Rear Admiral, USNR
Chief CommissionerThe Honorable Alexander C. Kirk
American Ambassador
American Embassy
Rome

See 182

(COPY K)

PA 3

785017

Ref: NY 516

1 July 1946

My dear Ambassador:

The Italian Government has repeatedly sought advice on how to obtain authorization to send a technical mission to Germany and Austria for the purpose of locating Italian machinery and equipment which was removed from Italy by the Germans. The Prime Minister recently requested the Allied Commission to intervene with the representatives in Italy of the four nations interested, namely, Britain, France, Russia and America. From the standpoint of the Italian economy the restoration of the materials is most important and I, therefore, give my full support to the proposal of the Italian Government. May I take the liberty of asking your support?

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The Supreme Allied Commander has concurred in my presenting this case to you, and also written to the General Officers commanding the British and United States zones in Germany.

Yours very truly,

HARRY W. STONE
Rear Admiral, USN
Chief Commissioner

The Honorable Sir Noel Charles, K.C.M.G., Bart., etc.
H.M. Ambassador
British Embassy
Rome

(CAPT R)

PA

785017

not: my 5.16

1 July 1946

My dear Ambassador:

The Italian Government has repeatedly sought advice on how to obtain authorization to send a technical mission to Germany and Austria for the purpose of locating Italian machinery and equipment which was removed from Italy by the Germans. The Prime Minister recently requested the Allied Commission to intervene with the representatives in Italy of the four nations interested, namely, Russia, Britain, France and America. From the standpoint of the Italian economy the restoration of the materials is most important and I, therefore, give my full support to the proposal of the Italian Government. May I take the liberty of asking your support?

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It is fully appreciated by the Italian Government, and by me, that authorization for an Italian mission to visit the controlled zones of Germany and Austria is dependent upon the controlling Governments. Likewise, it is understood that the activities of the mission within a given zone will be subject to the control of the authorities in that zone.

The Supreme Allied Commander has concurred in my presenting this case to you, and also written to the General Officers commanding the British and United States Zones in Germany.

Yours very truly,

EILEY W. STONE

WILLY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honorable Mikhail A. Koutylov
The United States of Soviet Russia Ambassador
to Italy
Via Cassa, 3
Rome

(COPY X)

PA

Ref: ES/516

27 May 1946

SUBJECT: Italian Technical Mission to Germany

MAY 27 1946

TO : The Supreme Allied Commander

1. The Prime Minister has requested assistance in obtaining authority to send an Italian technical delegation to Germany with the purpose of locating Italian material which was taken there by the Germans (copy of letter inclosed). In the letter it is made clear that an approach, already made through diplomatic channels, has not been successful.

2. It would appear that the desire of the Italian Government might be met, in the American Zones, under the provisions of instructions from the Joint Chiefs of Staff to US Commanders. It is suggested that your Headquarters obtain the view of the Commander American Zone, Germany, on a visit of an Italian technical delegation to his zone.

3. With respect to British, French and Russian Zones it would appear that further authorization from the three Governments will have to be awaited. Provided there is no objection on your part, I shall inform the diplomatic representatives of the three Governments in Rome, of the need for the restoration of Italian material.

4. In this connection the Italian Government would be greatly aided if their officials were given access to the ROK records, now in Rome. It is my considered opinion that such permission should be granted in order that the Italian Government can formulate a more effective recovery program.

(CAPT DE 9)

-2-

175

Therefore, I ask your favourable consideration to granting permission to Italian officials to have access to the RUK records, under supervision of Allied Officers. I understand from the U.S.A. Embassy that the State Department is favourable to such an authorization.

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Encl: Letter from the Prime Minister
to Brig. General M.S.Lush, 30 April 46

Letter to the Prime Minister
from Adm. Stone

Directives to Commanders in Chief U.S. Zones
of occupation - Germany and Austria.

1-12

Ref: ES/516

27 May 1946

My dear Mr. Prime Minister:

In response to your letter of 30 April requesting my intervention to assist you in gaining authority for an Italian technical mission to visit the occupied Zone in Germany, I wish to inform you that I have requested instructions from the Supreme Allied Commander. I agree with you as to the importance of recovering Italian material moved from Italy to Germany.

Upon receipt of instructions I shall inform you further.

Yours sincerely

/s/ Ellery W. Stone
ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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

15158
21/5

(CAPT DE Y)

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

10 May 1946

Ref: ES/5.16

SUBJECT: Prime Minister's Request to obtain Authority for Italian
Technical Mission to Visit Germany.

TO : Chief Commissioner.

1. Attention is invited to the letter of 30 April from the Prime Minister requesting your intervention to obtain authority for an Italian technical mission to visit Germany for the purpose of locating machinery and equipment moved from Italy to Germany.

2. Since approach has already been made through diplomatic channels it appears to be a matter of some delicacy to make further proposals from the Allied Commission. On the other hand we are in a favorable position to appreciate the needs of the Italian economy. Therefore, I have prepared a draft of a letter for your signature which might be addressed to each of the Ambassadors.

3. In case you approve the letter we can reply to the Prime Minister's letter indicating the action which has been taken.

/s/ CHARLES W. WALTON
Colonel, AG
Acting Vice President

Encl. (2)
PM's Ltr of 4/30/46
Draft ltr to Ambassadors

1610

172

DRAFT of individual letter to:

U.S.A., British, U.S.S.R., and French Ambassadors

1. In a recent letter the Prime Minister has asked for my assistance in the efforts of the Italian Government to obtain factory machinery and equipment which was removed from Italy by the Germans.

2. The problem is somewhat involved and includes a determination of the location and status of the equipment, of the ownership, i.e. whether paid for by Germans or whether confiscated, and of authorization for Italian representatives to visit the occupied zone of Germany. It is recognized that such authorization would have to be given by your Government.

3. I am convinced of the need for the restoration of such equipment as can be located and obtained. Therefore, I am pleased to give support to the request of the Prime Minister. May I ask you determine from your Government whether they would be willing to permit the visit of a small Italian technical delegation into its occupied zone for this purpose.

1039

Ref : 5009/100 /100

23 May 1946

My dear Mr. Black,

With regard to previous correspondence, I now enclose
a further release regarding shipping.

Your very truly,

A. W. Knisely.

Alan W. Knisely
Captain

Myron L. Black Esq
Shipping Adviser
U.S. Embassy,
Rome.

COPY

COPY 170

141845. FROM COUNIHAN AIS TRIESTE FOR GENERAL RELEASE..

TRIESTE SHIPYARDS TO BUILD TWO NEW LINERS..

TRIESTE MAY 14. (UNN)

TWO OSLO SHIPPING COMPANIES, MESSRS. FEARNLEY AND EGGER, AND MESSRS. WILHELM WILHELMSEN, PLACED ORDERS WITH THE TRIESTE SHIPYARDS FOR THE CONSTRUCTION OF TWO DIESEL ENGINE CARGO LINERS OF 9000 TONS EACH. BOTH SHIPS WILL HAVE ACCOMODATION FOR TWELVE PASSENGERS WITH SINGLE BERTH CABINS. THE LINERS ARE DESTINED FOR THE SOUTH AMERICAN TRADE.

PAYMENT FOR CONSTRUCTION WILL BE THIRTY FIVE PERCENT IN STERLING AND DOLLARS CURRENCIES, AND SIXTY FIVE PERCENT IN DRIED FISH.

THE ORDERS FOLLOWED A VISIT TO STOCKHOLM AND OSLO BY THE MANAGING DIRECTOR OF TRIESTE SHIPYARDS, CAPTAIN AUGUSTO COSULICH. A CORRESPONDENT WAS TOLD THAT THE CONSTRUCTION WILL LAST EIGHTEEN TO TWENTY MONTHS AND WILL PROVIDE EMPLOYMENT FOR A LARGE NUMBER OF TRIESTE WORKERS, ENDS 21.

1637

see 171

785017

5000

169
Translation

IL PRESIDENTE DEL CONSIGLIO DEI MINISTRI

Rome, 30 April 1946

3400.2/3.1.10

MAY 7 1946

Dear General,

The Industrial Institute of Reconstruction controlling many firms which have been heavily plundered by the Germans, has pointed out for many months the advisability of sending to Germany a delegation composed of four technicians to locate the material which has been taken there.

Due to the nature of the proposal, it was broached through diplomatic channels with the four great powers who occupy Germany. It has not been possible however up to date to arrive at a completely favorable decision. France has declared herself unfavourable to the sending of the a/n delegation, Russia has not yet made known her ideas on the subject and America and Great Britain are at present studying the question which should, in the interests of national economy, be resolved as quickly as possible so as to avoid the increasing probability of the dispersal of the machinery.

In view of this last consideration and of the fact that Admiral Stone, who was approached some time ago by the I.R.I., promised his support, I deemed it advisable to inform you of the present position of this important question of recovering the Italian material and installations taken to Germany. Although I fully recognize that this matter comes strictly within the jurisdiction of the powers who occupy German territory, I hope that your personal intervention with the representatives in Italy of the four Nations interested, will induce them to consider favourably the Italian request and agree to it within as short a time as possible.

I thank you in advance for what you feel able to do in the matter and with best wishes remain,

(Signature)

De Gasperi

1636

1 Speke to Econ Sec
a letter to Embassy
Rome Gen. Submittal
to EC for signature
They will send copy
to me

Brig. General M. S. LBSR,
Executive Commissioner,
Allied Commission,
Rome.

EC DIST - 9 May

ACTION - ECON SEC (2)

INFO - CC

- EC

- POLAD A

POLAD B

see 177, -179, 180.

PA 9/5

(CAPT X)

~~5009/168/EE~~
Ref. : 5009/168/EE

~~168~~
~~113~~
~~may 1946~~
24 April 1946.

My dear Mr. Black,

With regard to previous correspondence, I now enclose
a further Press release regarding shipping.

Your very truly

A. W. Knisely.

Alan W. Knisely
Captain

Myron L. Black Esq
Shipping Adviser
U. S. Embassy,
Rome

1635

[Handwritten mark]

[Handwritten: PA 24/4]

COPY

171130 FROM COUNIHAN AIS TRIESTE FOR GENERAL RELEASE.

NEW SHIP LAUNCHED FROM TRIESTE DOCKS.

TRIESTE APRIL 17 (UMN)

A NEW MOTOR SHIP OF 850 GRT WAS LAUNCHED FROM TRIESTE SHIPYARDS YESTERDAY .
THE SHIP HAD BEEN BUILT FOR THE ACCOUNT OF A LEGHORN FISHING COMPANY , AND
IS FITTED OUT WITH A MODERN REFRIGERATING EQUIPMENT . SHE WILL BE USED FOR
TRANSPORT OF FISH FROM NORTHSEA TO ITALIAN PORTS.

THE MATTER OF THE NORWEGIAN 17000 TON LINER TO BE BUILT IN TRIESTE WAS AGAIN
BROUGHT UP AT A PRESS CONFERENCE OF THE ALLIED MILITARY GOVERNMENT YESTERDAY .
AN ORDER FOR THE CONSTRUCTION OF SUCH A LINER HAD BEEN PLACED WITH TRIESTE
SHIPYARDS , BUT THE OSLOW COMPANY SUBSEQUENTLY CANCELLED THE ORDER BECAUSE
OF UNSTABLE POLITICAL AND SOCIAL CONDITIONS IN VENEZIA GIULIA .

AN ALLIED MILITARY GOVERNMENT SPOKESMAN SAID THAT THE GOVERNMENT IS DOING
EVERYTHING POSSIBLE TO RECAPTURE THE CONTRACT AND LIEUTENANT COLONEL D.E.
BICKERSTETH , CHIEF ECONOMIC OFFICER OF THE ALLIED MILITARY GOVERNMENT ,
RECENTLY CALLED UPON THE NORWEGIAN CONSUL IN ROME TO ASSURE HIM THAT THE ALLIED
MILITARY GOVERNMENT WOULD DO EVERYTHING POSSIBLE TO ENSURE DELIVERY ON TIME ,
IF THE ORDER FOR THE LINER WERE PLACED WITH TRIESTE SHIPYARDS .

ENDS 128

RECD. W/T. L.W.KIRKLAND 17/1130

1034

166

Ref: 5009/166/33

17 April 1946.

My dear Mr. Black,

Many thanks for your letter of April 13.

As you will see by the enclosed copy of my letter to the Secretary of the Joint Economic Committee, Venezia Giulia, I have asked for the information that you require and hope to have the answer by the time you return from the Near East.

Yours very truly,

Alan W. Knisely,
Captain.

Mr. Myron L. Black,
Shipping Adviser,
U.S. Embassy,
Rome.

1633

PA
8/14/46

Ref: 5009/163/30

165
17 April 1946.

My dear

I see from the latest copy of the minutes that you are now DACH and Secretary of the Joint Economic Committee and as such, I wonder if you would be good enough to help me.

The American Embassy are interested in the details of the rehabilitation program that is being worked out for Trieste especially where it concerns the shipbuilding and ship repair industry.

I have tried to find the information in concise form here without any marked success, and I would very much appreciate it, if you could let me have the main facts in order that I may pass them on to the United States Embassy.

With many thanks, in anticipation, and with best wishes for success in your new appointment.

Yours

1632

Alan W. Knisely,
Captain.

Major H. St. G. French,
DACH,
Joint Economic Committee,
Venetia Giulia.

Copy to: M.L. Black Esq., US Embassy
Economic Division, AO.

9/



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

American Embassy, Rome, Italy.
April 13, 1946.

APR 16 1946

Captain Alan W. Knisely,
Office of the Executive Commissioner,
Headquarters Allied Commission,
Rome.

Ref: 5009/161/EC

Dear Captain Knisely:

Many thanks for your note of April twelfth enclosing
copies of correspondence and telegrams regarding the
building of a seventeen-thousand ton ship at Trieste
for Norwegian account. I shall appreciate it if you
would keep me informed of further developments in this
matter. I would be particularly interested in the details
of the rehabilitation program which is to be worked out
for Trieste--especially as it may concern the shipbuilding
and ship repair industries. This was referred to in the
incoming message from Trieste.

I am glad to have this opportunity to thank you for
your assistance and cooperation. I am off for the Near
East but shall be back in Rome in a few weeks and hope
to see you on my return.

Yours very truly,

Myron L. Black

Myron L. Black
Shipping Adviser

see 165-166

(CAPT K)

5009

File

163

Ref: 5009/161/EO

12 April 1946.

My dear Mr. Black,

With reference to my visit yesterday morning, I am enclosing copies of the correspondence and cables regarding the building of a 17,000 tons ship at Trieste shipyards for a Norwegian account.

Should any further information come to hand, I will keep you informed.

A. W. Knisely.

Alan W. Knisely

1630

Mr. Black
Shipping Adviser
U.S. Embassy
Rome.

15
4
9

INCOMING MESSAGE
HEADQUARTERS ALLIED COMMISSION

APR 11 1946

Originator's Reference: C 35969
Date Time of Origin: APR.041843B

Message Centre: H/1633
Date Time Rec'd: APR.050900B
Precedence: PRIORITY

FROM : AFHQ G5.
TO : MAIN XIII CORPS INFO: ALCOM ROME

UNCLASSIFIED.

(Reference your 0286 of 3 April which is being repeated ALCOM
Do not consider that your proposal necessarily involves a change
in policy provided that justification is submitted to show that
a measure of rehabilitation is essential to prevent disease and
unrest.

2. Assume that fullest use will be made of opportunities for
trade with Italy and for participation in Italian trade agreements
discussed at conference in Rome on 19 February 46.

3. Suggest you submit your programme through Alcom.
It will be given fullest consideration here.

AC DIST

INFO ACTION ECON 3
INFO CHIEF COMMISSIONER 1029
INDY & UTIL 2
EX COMM
TN DIV 2
FILE 2
FLOAT

See Min. 161
162

SR 11/4
(CAPT R)

5 APRIL

PA. 1/2

785017

Ext. 482.

HEADQUARTERS ALLIED COMMISSION

APO 394

Transportation and Shipping Branch

WPS/vr

AC/550/TN.1

10 April 1946

APR 11 1946

Memorandum.

TO : Navy Sub-Commission

HQ., AC.

Attention : Captain Wentz.

1. Reference is made to the recent press release relative to the loss of Contract by Trieste Shipyards to build a 17,000 ton liner for a Norwegian Shipping Company.
2. Lt. Col. Bickersteth of A.M.G. XIII Corps at Venezia-Giulia was contacted and he furnished the following information on the subject :

a. The contract for the construction of the ship has not yet been made. However, a representative of the Montal-
cone yards has gone to Norway to endeavor to close the
contract.

b. That A.M.G. XIII Corps had not cleared the proposed con-
tract but they thought the Italian Ministry of Marine in
Rome had cleared it. The Italian Ministry of Marine was
contacted and they advised that they had not cleared any
construction contract at Trieste and they have no autho-
rity in A.M.G. Territory, but have had several discussions
with Norwegian officials on the matter but would defini-
tely clear with the Navy Sub-Commission A.C., before any
definite steps are taken.

c. A.M.G. XIII Corps is encouraging the contract as they
interpret the present policy of the Supreme Allied Com-
mander as not including the construction of ships for
an Allied country.

d. No construction has started on the ship as there never
has been a contract.

156
 Navy Sub-Commission
 HQ., AC.
 Attention : Captain Keatz.

1. Reference is made to the recent press release relative to the loss of contract by Trieste Shipyards to build a 17,000 ton liner for a Norwegian Shipping Company.

2. Lt. Col. Bickersteth of A.M.G. XIII Corps at Venezia-Giulia was contacted and he furnished the following information on the subject :

- a. The contract for the construction of the ship has not yet been made. However, a representative of the Montfalcone yards has gone to Norway to endeavor to close the contract. 1328
- b. That A.M.G. XIII Corps had not cleared the proposed contract but they thought the Italian Ministry of Marine in Rome had cleared it. The Italian Ministry of Marine was contacted and they advised that they had not cleared any construction contract at Trieste as they have no authority in A.M.G. Territory, but have had several discussions with Norwegian officials on the matter but would definitely clear with the Navy Sub-Commission A.C., before any definite steps are taken.
- c. A.M.G. XIII Corps is encouraging the contract as they interpret the present policy of the Supreme Allied Commander as not including the construction of ships for an Allied country.
- d. No construction has started on the ship as there never has been a contract.

Copy to : Economic Section.

Exec. Commissioner.

N.S. Embassy (our block) 10/14/44

Robert L. Seng
 Lt. Colonel
 Director.

PA 13/4

155

EXTRACT FROM PRESS RELEASE 3rd APRIL - FROM COURTHAN ALLIED
INFORMATION SERVICE TRIESTE.

TRIESTE SHIPYARDS LOSE CONTRACT WITH NORWEGIAN SHIPPING COMPANY, ALLIED
MILITARY GOVERNMENT ATTEMPTS TO RECAPTURE CONTRACT.

TRIESTE APRIL 2 (UNW).

ALLIED MILITARY GOVERNMENT'S SPOKESMAN ANNOUNCED HERE YESTERDAY THAT
A CONTRACT FOR THE CONSTRUCTION OF A 17000 TON LINER FOR THE ACCOUNT OF A
NORWEGIAN SHIPPING COMPANY, PROVISIONALLY PLACED WITH TRIESTE SHIPYARDS,
HAD BEEN CANCELLED BY THE NORWEGIANS ON ACCOUNT OF UNCERTAIN SOCIAL AND
POLITICAL CONDITIONS IN VENEZIA GIULIA. THE SHIPYARDS, HOWEVER, ARE
TRYING TO RECAPTURE THE CONTRACT WITH THE ACTIVE SUPPORT OF ALLIED MILITARY
GOVERNMENT.

1027

785017

5009

153

Ref: 4755/EC

9. April 1946.

SUBJECT: Derequisition of Motor Vessel.

TO : Director (S & T),
G.H.Q., C.M.P.

1. I have been approached by Prince Alvaro de Orleans-Borbon on behalf of a group of industrial companies in Italy with a request for the derequisitioning of a motor vessel "RAMIA I", No. 837, which is at present held by 798 Water Company, RASO, and is believed to be plying on military business between BARI and VENICE.

2. The vessel is required by part of the company of the Calce Cemento di Segni, a large cement plant situated at Vibo Valentia in Calabria. The output of cement from this factory has to be reduced by half (from 8000 tons to 4000 tons per month) owing to lack of means of transportation. The return of the motor vessel to the factory would enable coal to be brought to the factory and cement to be distributed to consumers. The industrial group known as Bonarini Parodi del Finc has played a great part in the work of reconstruction and an increase in the output of cement is of the greatest benefit to the rehabilitation of industry and the rebuilding of towns and villages.

3. I would therefore urge that sympathetic consideration be given to the immediate derequisitioning of this vessel in order that it may play its part in reanimating the economic life of this country.

M. S. LUSH

1626

Brigadier,
Acting Chief Commissioner.

Copy to: G-5 AFHQ.
Chief Commissioner
Prince Alvaro de Orleans-Borbon,
Corso Umberto I, 267, ROMA.

Copy to: 5009/EC.

5009 *40* *151*
 I N C O M I N G M E S S A G E
 HEADQUARTERS ALLIED COMMISSION
 APR 5 1948
Exp. Comm.

Originator's Reference: 0286
 Date Time of Origin: APR. 031230B
 Message Centre: H/1636
 Date Time Rec'd: APR. 050900B
 Precedence : OP PRIORITY

FROM: AFHQ FROM MAIN XIII CORPS
 TO : ALCOM AFHQ

UNCLASSIFIED.

Subject is rehabilitation for Venezia Giulia.

1. Current directives from CCS prohibit rehabilitation of industry in Venezia Giulia and limit all request for supplies to those for the prevention of "disease and unrest".

2. On Venezia Giulia western boundary Italian industries are being rehabilitated through UNRRA programme and on the eastern boundary Jugoslav industries are also rehabilitated through UNRRA programme.

This has resulted in an industrial stagnation for Venezia Giulia and has reached such staggering heights that at present more than 50% of the industrial workers have been forced on the rolls of public works and unemployment. In spite of all efforts possible under the "disease and unrest" clause it has been impossible to keep industries operating. The continued stagnation of industries under the "disease and unrest" formula will definitely produce an acute situation in this territory during the coming months.

3. Present employment situation as follows registered workers Trieste area 57000. Unemployed 23000. Employed 34000. Of those employed 7000 are engaged by units of 13 corps, 7000 on public works and 14000 in shipyards principally engaged in repair British ships under direction Ministry of War transport of 34000 employed 28000 are dependent or indirectly on British and American Governments and there is virtually no other business. Information in this office indicates that 6000 to 8000 industrial workers now on rolls are in fact surplus and with the prospect of the Ministry of transport ceasing its activity in the future the employment situation may be termed extreme.

Venezia Giulia and limit all request for supplies to those for the prevention of "disease and unrest".

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STANDARD

APR 1946

M 161 x 7160.

2 PAGE

H/1636

4. In order to prevent the acute situation from developing and actually becoming a "disease and unrest" problem later to be copes with, I consider it essential that a rehabilitation programme be put in hand forthwith and I have ordered

AMG Venezia Giulia to prepare one.

This programme will be submitted earliest possible for approval in detail meantime I should be grateful if approval in principle for this change of policy could be sought without delay all infm.

(M/C Note: Delayed Through Retransmission)

AC DIST

ACTION ECON SEC 3
INFO CHIEF COMMISSIONER
INDY & UTIL 2
EX COMM 2
TN DIV 2
FILE 2
FLOAT

HEADQUARTERS
5 APR 1946

C.

INCOMING MESSAGE
HEADQUARTERS ALLIED COMMISSION

APR 5 1946

Originator's Reference: C 35969
Date Time of Origin: APR.041843B

Message Centre: H/1633
Date Time Rec'd: APR.050900B
Precedence: PRIORITY

FROM : AFHQ G5.

TO : MAIN XIII CORPS INFO: ALCOM ROME

UNCLASSIFIED.

(Reference your 0286 of 3 April which is being repeated ALCOM
Do not consider that your proposal necessarily involves a change
in policy provided that justification is submitted to show that
a measure of rehabilitation is essential to prevent disease and
unrest.

2. Assume that fullest use will be made of opportunities for
trade with Italy and for participation in Italian trade agreements
discussed at conference in Rome on 19 February 46.

3. Suggest you submit your programme through Alcom.
It will be given fullest consideration here.

AC DIST

INFO ACTION · ECON 3
INFO CHIEF COMMISSIONER 1024
INDY & UTIL 2
EX COMM
TN DIV 2
FILE 2
FLOAT

HEADQUARTERS

APR 1946

JR 8/4

(MA) H/

see 160

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9MAR1230B

H/1598

4AFC930

IMPORTANT

MAIN 13 CORPS

(INFO) ALCOM

APR 4 1946

UNCLASSIFIED.

SUBJECT IS REHABILITATION FOR VENEZIA GIULIA.

1. CURRENT DIRECTIVES FROM CDS PROHIBIT REHABILITATION OF INDUSTRY IN VENEZIA GIULIA AND LIMIT ALL REQUEST FOR SUPPLIES TO THOSE FOR THE PREVENTION OF "DISEASE AND UNREST".
2. ON VENEZIA GIULIA WESTERN BOUNDARY ITALIAN INDUSTRIES ARE BEING REHABILITATED THROUGH UNRRA PROGRAMME AND ON THE EASTERN BOUNDARY JUGOSLAV INDUSTRIES ARE ALSO REHABILITATED THROUGH UNRRA PROGRAMME. THIS HAS RESULTED IN AN INDUSTRIAL STAGNATION FOR VENEZIA GIULIA AND HAS REACHED SUCH STAGGERING HEIGHTS THAT WORKERS HAVE BEEN FORCED ON THE ROLLS OF PUBLIC WORKS AND UNEMPLOYMENT. IN SPITE OF ALL EFFORTS POSSIBLE UNDER THE "DISEASE AND UNREST" CLAUSE IT HAS BEEN IMPOSSIBLE TO KEEP INDUSTRIES OPERATION. THE CONTINUED STAGNATION OF INDUSTRIES UNDER THE "DISEASE AND UNREST" FORMULA WILL DEFINITELY PRODUCE AN ACUTE SITUATION IN THIS TERRITORY DURING THE COMING MONTHS.
3. PRESENT EMPLOYMENT SITUATION IS AS FOLLOWS:

REGISTERED WORKERS TRIESTE AREA	57000.
UNEMPLOYED	23000.
EMPLOYED	34000.

OF THOSE EMPLOYED 7000 ARE ENGAGED BY UNITS OF 13 CORPS, 7000 ON PUBLIC WORKS AND 14000 IN SHIPYARDS PRINCIPALLY ENGAGED ON REPAIR BRITISH SHIPS UNDER DIR ACTION MINISTRY OF WAR TRANSPORT.

HEADQUARTERS

4 APR 1946

A. C.

AR 8/4

SHEET 2

W/1598

148

OF 34000 EMPLOYED 28000 ARE DEPENDENT DIRECTLY OR INDIRECTLY ON BRITISH AND AMERICAN GOVERNMENTS AND THERE IS VIRTUALLY NO OTHER BUSINESS. INFORMATION IN THIS OFFICE INDICATES THAT 6000 TO 8000 INDUSTRIAL WORKERS NOW ON ROLLS ARE IN FACT SURPLUS AND WITH THE PROSPECT OF THE MINISTRY OF WAR TRANSPORT CEASING ITS ACTIVITY IN THE VERY NEAR FUTURE, THE EMPLOYMENT SITUATION MAY BE TENDED EXTREMELY GRAVE. FOR THE MOMENT AND IS PLANNING A LARGE NUMBER OF PUBLIC WORKS, MOSTLY OF THE SPADE AND SHOVEL TYPE, TO KEEP THESE PEOPLE OFF THE STREET. SUCH MEASURES ARE ONLY PALLIATIVES AT BEST AND THE UNREST PROBLEM CANNOT BE SOLVED BY SUCH MEASURE.

4. IN ORDER TO PREVENT THE ACUTE SITUATION FROM DEVELOPING AND ACTUALLY BECOMING A "DISEASE AND UNREST" PROBLEM LATER TO BE COPEL WITH, I CONSIDER IT ESSENTIAL THAT A REHABILITATION PROGRAMME BE PUT IN HAND FORTHWITH AND I HAVE ORDERED AMB VENEZIA GIULIA TO PREPARE 1. THIS PROGRAMME WILL BE SUBMITTED EARLIEST POSSIBLE FOR APPROVAL IN DETAILS MEANTIME I SHOULD BE GRATEFUL IF APPROVAL IN PRINCIPLE FOR THIS CHANGE OF POLICY COULD BE SOUGHT WITHOUT DELAY ALLINFM.

AC DIST

1022

ACTN: ECON SEC 2
INFO: CHIEF COMMISSIONER
ISI COMM
CIVIL AFFAIRS
INDUSTRY AND UTIL 2
FILE 2
FLOAT



5009
147
ACTION
Copy 4
4063
TRANSLATION

44/05935

THE MINISTER OF FOREIGN AFFAIRS

FEB 27 1946

Rome, 23 February, 1946.

Dear Admiral,

Thank you for the list of installations and Italian property carried away by the Germans, enclosed in your letter, 28/5.16, of 12 January last. Though this list has been very useful, and has enabled us to compare notes with our Companies, it only gives us data relative to the original destination of the goods, whereas, in many cases, owing to bombing, the expeditions routed or were stopped when still in Italian territory. I would therefore be grateful if you would authorize your competent offices to communicate the following to the Ministry of Foreign Affairs.

- a) A list of the ultimate destination of the expeditions, according to archives found in Bolzano.
- b) A list of the goods still in Italian territory.

Perhaps the drawing up of these lists would be made easier if Italian technicians were authorized to consult the documents in Bolzano, and compare them with their own information.

I would like to know your view in the matter.

With regards,

Yours truly,

(s) De Gasperi.

Admiral Ellery W. Stone
Chief Commissioner, A.C.

See M. 148

EC DIST-26 Feb

DIRECTION: ECON SEC

INFO. CL

EC

(MB)

146

Ref: 5009/EO.

6 February 1946.

SUBJECT: NAPLES Town Planning.

TO : Allied Commission
Chief Liaison Officer,
NAPLES.

145

1. I am directed by the Executive Commissioner to thank you for your letter ref. C/1970 dated 28 January 46, inviting him to attend the exhibition of the proposed rebuilding scheme which was held 27 January - 2 February.

2. Your letter did not reach this HQ until 31 January and owing to an unfortunate further delay did not come to the notice of the Executive Commissioner until 4 February. He therefore much regrets that he was unable to attend.

N. W. HIND-SMITH

Chief Staff Officer,
To the Executive Commissioner.

1-20

[Handwritten mark]

[Handwritten initials]

HEADQUARTERS
NAPLES LIAISON OFFICE
ALLIED COMMISSION
AFO. 394.

C/1970

28 January, 1946

SUBJECT : Naples Town Planning.

TO : A.C. HQ.

Att: Executive Comm. ...

IND 2) 5/C

Rec'd by EG's
Office
7 Feb 46
H

With reference to my C/1749 of 11 December 1945,
an exhibition of the proposed rebuilding scheme for
Naples is being held in the foyer of the San Carlo theatre
from the 27th of January until the 2nd of February.

There will also be exhibits showing plans for the
rebuilding of London provided by the British Information
Office and the exhibition is, I understand, the first
of its kind in Italy.

It is being run by the Sindaco, Avv. G. Fermariello
and his Municipal Engineer Ing. Isabella, and is to be
open to the public free daily up to 1700 hrs.

Chen

J. A. C. Pennyquick

J. A. C. PENNYQUICK
Colonel 1519
Chief Liaison Officer
Allied Commission.

See 146

785017

5009 5/1

(142)

Ref: RE/6.16

12 January 1946

JAN 14 1946

137

142

My dear Mr. Ambassador:

I am enclosing a copy of a translation of a letter from Doctor Alcide De Gasperi, Minister of Foreign Affairs, reference 41/00242/1 dated 4 January 1946, and of my reply thereto.

Under instructions from AMHQ of 12 September 1945 (copy attached), I had previously informed Doctor De Gasperi of my inability to assist him directly in his efforts to secure the return of Italian machinery taken by the Germans.

I hope, however, that in view of the benefit to the Italian economy of a favorable decision you will consider sympathetically and transmit to proper authority for final decision the claims put forward by the Italian Government.

I am addressing the British Ambassador in similar terms.

Very sincerely yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

H. E. Alexander Kirk
American Embassy
R O M E

H.E. Sir Noel Charles, Lt, KCMA, MC,
British Embassy,
Rome

See 7-147
1-18

See M. 143

PA
19/1
8

100 11/ 5/1/46

Ref: ES/5.16

12 January 1946

My dear Doctor De Gasperi:

I refer to your letter 41/00242/1 of 4 January 1946 on the subject of Italian industrial equipment removed from Italy by the Germans.

As stated in my letter ES/5.14 of 30 September 1945, the Allied Commission has no direct channel of communication with the authorities in Germany and Austria except through Allied Force Headquarters. I have therefore written the British and American Ambassadors in Rome requesting their sympathetic consideration of your requests.

In regard to the final request contained in your letter, I take pleasure in forwarding to you herewith the tabulated translations of German lists of Italian machinery and equipment removed by them.

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

1617

Dr. Alcide De Gasperi
Ministry of Foreign Affairs
Italian Government
R O M E

See 152.

copy

(140)

"A"

ALLIED FORCE HEADQUARTERS
G-5 section
APO 512

19 September 1945

SUBJECT : Italian claims to property in Germany and
Austria.

TO : Headquarters Allied Commission, APO 394

1. Reference is made to your AC/5748/IND dated 6 September forwarding the Mondadori claims, which are returned herewith.
2. The disposition of claims to assets in Austria and Germany is primarily a matter for determination by the authorities at the place where the claimed assets are located.
3. It has been determined at this Headquarters that claims by Italians to property in Austria or Germany may be submitted by the Italian Government to the Russian, French, British or U.S. embassies as the case may require.
4. You are requested to advise the Italian Government that except in cases affecting a military interest in this Theater, this Headquarters will not undertake to forward Italian claims to property located outside the Theater.

1016

(signed)

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

See 140.

Translation

The Minister of Foreign Affairs

11/00242/1

Paris, 4 January 1946

JAN 8 1946

Dear Admiral,

I once more appeal to your kind courtesy for the very important matter which I brought to your attention in my letter dated September 20th: the recovering of the equipment and outfit taken away by the Germans.

Following your advice, I took up this problem which is of vital importance for Italian economy with the Allied Ambassadors in Rome, and the R.A. Representatives in the Allied Capitals; they were told that the matter would be taken in consideration with the greatest goodwill; however, till now, it hasn't been possible to obtain a final decision. Thus, there is the risk that the materials and equipments taken to Germany and Austria be considered as German by the occupying powers, and might therefore be sequestered.

One case is particularly serious, that of the material removed by the German authorities of occupation from the plants of the Company belonging to the Istituto per la Ricostruzione Industriale, which as you know, includes several important concerns. Very important material for an incalculable amount have been taken from the plants of the Societa' Italiana Acciaierie di Cornigliano (S.I.A.C.), the Ilva, Italian Blast-Furnaces and Steel-works, the Oerlikon-Orlando plants and other companies. The loss of such equipment would not only represent a loss of many tens of milliards for the Italian State, but it would chiefly paralyze the economic rehabilitation of many regions, thus bringing about the unemployment of the workers, fact which cannot but have very serious repercussions on public order also.

I have no doubt that you, my dear Admiral, who follow with such interest the difficult and slow rehabilitation of Italian economy, will realize the importance of this problem and intervene with the Allied Governments so that our request may be quickly solved and taken in consideration with the necessary spirit of comprehension.

I have been informed that Mr. Edoardo Adler, intrusted by the Istituto per la Ricostruzione Industriale with the recovering of the material and equipment of the Companies belonging to the said Industrial group, contacted the Allied Commission during the last few days, and particularly Colonel Walton, to study the best means to proceed to the identification of and if possible detain the equipment belonging to the I.R.I. group which seems to be chiefly in the hands of Germany and Austria occupied by the Anglo American troops.

It seems that Mr. Adler particularly asked for the help of the Allied Commission to obtain the authorization to proceed to the above mentioned areas with an officer of the War Material Division of Bolzano and four techni-

Admiral Ellery Stone

Chief of the Allied Commission

Rome

E.C. DIST. 8 Jan
Action: E. Sec (2)

1000, 4 January 1946

JAN 8 1946

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Admiral Ellery Stone
Chief of the Allied Commission

R O M E

E.C. DIST. 8 Jan

See M.138.14.143 Action: E. Sec (2)

F. 140.14.142. Info: c.c.

E.C.

9/11/46

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- 2 -

sians of the main companies concerned. The Italian Government will greatly appreciate it if it is possible to grant Mr. Adler's request, and I shall be personally grateful if you take the necessary action to facilitate this mission.

I also take the liberty of reminding you, my dear Admiral of the archives of the material taken away by the Germans, which was found in Ortisei. Our companies are not always able to supply information about the location of the material that was taken away. In fact, such information was usually gathered on the basis of notes taken in haste and at their own risk by the staff. Besides in many cases the original destination may have been changed during the journey. You certainly realize the importance of being able to supply the various governments with precise information, supported by documents, regarding the existence of Italian equipment in such zones of Germany and Austria as are occupied by their troops.

I therefore renew my request that the Italian Government may be allowed, as soon as possible, to become acquainted with these important documents.

I remain, my dear Admiral,

Yours very truly,

S. DE GASPERI

c/c

1614

785017

30 November 1945

DEC 3 1945

My Dear Mr. Prime Minister:

The Supreme Allied Commander, Mediterranean Theater, without prejudice to any terms which may be imposed by the Peace Treaty with Italy, has adopted the following interim policy for the rehabilitation and utilization of Italian ship repair and shipbuilding facilities, in Italian Government territory and Military Government territory, to facilitate the recovery of the industry in the interests of Italian economy and to alleviate unemployment:

- (a) The rehabilitation of Italian ship repair and shipbuilding facilities for the repair and limited construction of Italian Merchant vessels and for other repair work in the interest of the Italian civilian economy is approved and recommended to the extent set out in the following paragraphs.
- (b) The repair of Allied Naval and Merchant vessels takes precedence over repairs to Italian vessels in accordance with priorities established by competent Allied authorities.
- (c) The utilization of Italian ship repair and shipbuilding facilities for the repair of Italian Merchant vessels and new construction of powerful twin screw tugs suitable for berthing and long distance towage should be accorded second priority.
- (d) The completion of all Merchant vessels under construction in Italy of 5000 D.W. or less which are over 50% complete and for which materials are either now available in Italy or can be procured through commercial channels is authorized and should be accorded third priority.
- (e) Italian ship repair and shipbuilding facilities are authorized to undertake work in the interest of Italian civilian economy provided no materials or equipment of any kind intended for war purposes or conversion into warlike stores are manufactured. This work should be accorded fourth priority.

1013

2 (MISS S) HB
(MIA H) gsk 11/2/45

See 7.224

Noted
R/P.

- (f) New construction of coastal vessels of 5000 tons D.W. or less, schooners of 500 tons D.W. or less, lighters, floating cranes and miscellaneous harbour craft is authorized provided materials and equipment can be obtained in Italy and no demands are made upon Allied resources except in normal commercial channels. This work should be accorded fifth priority.
- (g) The Italian Government will make arrangements for and designate an agency of the Government to discuss financial matters involving ship repair and shipbuilding facilities with Italian companies. No demands will be made on Allied Governments for assistance in financing such ship repair and shipbuilding work as may be considered as Italian Government responsibility.
- (h) No construction of Naval vessels or vessels intended for conversion into Naval vessels is authorized.
- (i) The utilization of Italian Government and privately owned ship repair and shipbuilding facilities for repairs to or modernization of Italian Naval vessels and for the production or repair of arms, munitions or other implements of war will continue to be controlled by the appropriate Allied authorities.
- (j) In implementing the foregoing the Italian Government must ascertain through normal civil import channels to what extent materials are likely to be available. This will prevent the undesirable situation arising whereby the degree of rehabilitation achieved exceeds the supply of essential materials.

It is desired that the Italian Government take early positive steps to implement the above-stated policy and keep the Allied Commission informed as to progress made at quarterly intervals commencing January 1, 1946, indicating generally the results which have been obtained to enable co-ordination with Allied authorities if required.

1012

Very truly yours,

/s/ Ellery W. Stone

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

Professor Ferruccio Parri,
President of the Council of Ministers,
Italian Government,
Rome, Italy.

785017

5009 48
~~SECRET~~

Exec Com v 132.

NOV 27 1501

CONFIDENTIAL

G/4485

NOV 28 1720A

PRIORITY

COMNAVNAV ADMIN

ACTION: OFIC (RAAC PASS)

INFO: ALCOM ROME (RAAC PASS)

NOV 29 1945

~~SECRET~~

Reference NOB PALERMO excess lists MEL 304, 305, 306, 308, 309, 311, 359.

Navy Department has directed that the ship yard at Palermo be returned to Italian owners on 15 December. Major portion property (US NAVY owned) declared to you in references is considered essential to efficient operation of above facility and removal thereof to ~~ANCHORAGE~~ pending sale would necessitate a major reduction in operation of shipyard by private owners.

Repair of Italian shipping locomotives is vital to civilian economy. Furthermore shipyard is largest employer of civilian labor in Palermo and a major reduction in work would bring hardship and accompany unrest to that city.

In view of above I urgently request that every effort be made to effect sale by 15 Dec 1945 of property listed in references.

~~CONFIDENTIAL~~
DIST

INFO ACTION: NAVY S/C

INFO: CHIEF COMMISSIONER
EXEC COMMISSIONER
ECON SECTION (2)
TR S/C (2)
NSA
MATH
FILESee M. 133
~~SECRET~~PA
30/11
211
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MISS 5

785017

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130

Translation

The Minister of the Royal Household
 RL
 16337

Rome, 24 November 1945

NOV 27 1945

My dear Admiral,

I shouldn't take the liberty of bringing the following matter to your attention if it didn't concern our industrial and agricultural rehabilitation which the Allied Commission and the British and American Governments are so keen to promote.

The precarious situation of an industrial plant of the Puglia, because most valuable machinery is still requisitioned by the Allies, has been brought to the attention of His Royal Highness the Lieutenant General of the Kingdom.

The concern in question is the Pietro Melchiorre Concern, owned by Mr. Giovambattista Melchiorre, and manufacturing tools and agricultural machinery at Alberobello di Bari. On May 30th 1944, a unit of the 17 C.R.E. requisitioned from this concern all the machinery from the carpentry section, and several from the welding section, as from the enclosed list. All these pieces of machinery are at present in the possession of the C.R.E. works stationed at Bari; without such machinery, and leaving aside the damages suffered because of the inactivity of its sections during the last period, the Melchiorre plant cannot cope with the requests from local farmers, all over the region, who cannot obtain the necessary tools and agricultural machines, at a time when they do all they can to increase to the utmost the production of the land, not only in their own interest, but also in that of the nation, threatened with food shortage.

According to the wish of His Royal Highness, and knowing how concerned you are with the resumption of Italian industrial and agricultural activities, I take the liberty of bringing to your attention the position of the Melchiorre Metallurgic Concern at Alberobello, for whatever action you will deem it advisable to take to enable it to overcome whatever obstacle there might be for the requisition of the above mentioned machinery; I shall greatly appreciate it if you send me an answer so that I may inform His Royal Highness who is taking great interest in this matter.

Believe me, my dear Admiral,

Sincerely yours,
 S. Lucifero
 (Minister of the Royal Household)

Admiral Stone
 Chief Commissioner
 Allied Commission
 R O M O

trans. e/o

See M.133

EC DIST - 27 Nov.

ACTION: ECON SEC (3)

INFO: CHIEF COMM.

: EX COMM.

(MAG H)

5009
INCOMING MESSAGE
HEADQUARTERS ALLIED COMMISSION

128

Ex. Comm.

Originator's Reference: **FX 54590**
Date/Time of Origin: **NOV 262122**

Message Centre No: **G/4995**
Date Time Rec'd: **NOV 271230A**
Precedence: **PRIORITY**

FROM: **FREEDOM SIGNED SACRED**
TO : **ACTION: ALCOM HOME INFO: 13 CORPS**

NOV 27 1945

~~SECRET~~

~~CONFIDENTIAL~~

~~SECRET~~

Desired that you inform Italian Government of policy outlined in para 4 of

NAF 1095.

127

HEADQUARTERS

27 NOV 1945

DIST

Info ~~ACTION~~ **EXEC COMMISSIONER**

INFO: CHIEF COMMISSIONER
POLAD (A)
POLAD (B)
ECON SECTION (2)
NAVY S/C
TN S/C
FILE

Action **←**

1039

~~ACTION~~ ~~CONFIDENTIAL~~

~~SECRET~~

(MISS 5)

see M129

PA

29/11

785017

SECRET⁵⁰⁰⁹
INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

Originator's Reference: FX54588
Date/Time of Origin: NOV 262142Message Centre No: G/4394
Date Time Rec'd: NOV 271230A

FROM: AFHQ SIGNED SACMED

Precedence: PRIORITY
NOV 27 1945TO : ACTION: AGWAR WASHINGTON FOR CCS BRITISH CABINET OFFICES WHITEHALL FOR BRITISH
CHIEFS OF STAFF INFO: ALCOM ROME 13 CORPS

SECRET. This is NAF 1095.

Para 1. With the termination of hostilities and decreased Allied requirements the use of Italian ship building and ship repair facilities their rehabilitation and use by the Italians has been under review. Wide scale unemployment which may reach alarming proportions requires prompt action.

Para 2. The British Admiralty is on record in April 1945 as being adverse to early revival of the Italian Merchant ship building industry. The views of the appropriate U. S. authorities are not known.

Para 3. As the Italians have neither materials nor foreign credit for an extensive program their ship building ability is extremely limited.

Para 4. The Italian Government is therefore being informed that without prejudice to any term imposed by the peace treaty the Supreme Allied Commander will adopt the following interim policy:

A. The rehabilitation of Italian ship repair and shipbuilding facilities for the repair and limited construction of Italian Merchant vessels and for other repair work in the interest of the Italian civilian economy is approved and recommended to the extent set out in the following paragraphs.

B. The repair of Allied Naval and Merchant vessels takes precedence over repairs to Italian vessels in accordance with priorities established by competent Allied authorities.

C. The utilization of Italian ship repair and shipbuilding facilities for the repair of Italian Merchant vessels and new construction of powerful twin screw tugs suitable for berthing and long distance towage should be accorded second priority.

D. The completion of all Merchant vessels under construction in Italy of 5000 D.W. or less which are over 50% complete and for which materials are either now available in Italy or can be procured through commercial channels is authorized and should be accorded third priority.

E. Italian ship repair and shipbuilding facilities are authorized to undertake work in the interest of Italian Civilian Economy provided no materials or equipment of any kind intended for war purposes or conversion into warlike stores are manufactured. This work should be accorded fourth priority.

F. New construction of Coastal vessels of 5000 tons D.W. or less schooners of 500 tons D.W. or less lighters floating cranes and miscellaneous harbor craft is authorized provided materials and equipment can be obtained in Italy and no demands are made upon Allied resources except in normal commercial channels. This work should be accorded fifth priority.

(MISS SAMPER)

SECRET

See 7.127

see 11/29

785017

INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

Originator's Reference:

Message Centre No: G/4394

Date/Time of Origin:

Date Time Rec'd:

FROM:

Precedence:

TO :

Page 2.

Para 4 continued.

G. The Italian Government will make arrangements for and designate an agency of the Government to discuss financial matters involving ship repair and ship building facilities with Italian companies. No demands will be made on Allied Governments for assistance in financing such ship repair and ship building work as may be considered as Italian Government responsibility.

H. No construction of Naval vessels or vessels intended for conversion into Naval vessels is authorized.

I. The utilization of Italian Government and privately owned ship repair and shipbuilding facilities for repairs to or modernization of Italian Naval vessels and for the production or repair of arms munitions or other implements of war will continue to be controlled by the appropriate Allied authorities.

J. In implementing the foregoing the Italian Government must ascertain through normal civil import channels to what extent materials are likely to be available. This will prevent the undesirable situation arising whereby the degree of rehabilitation achieved exceeds the supply of essential materials.

DISTRIBUTION

Info. ACTION: EXEC COMMISSIONER

INFO: CHIEF COMMISSIONER

POLAD (A)

POLAD (B)

ECON SECTION (2)

Action: NAVY S/C

TN S/C (2)

FILE

HEADQUARTERS

27 NOV 1945

A. C.

See M129

~~SECRET~~

5009 40
125
HEADQUARTERS, ALLIED COMMISSION
Navy Sub-Commission APO 394

NSC/3865
27 October 1945.
OCT 30 1945

From: Navy Sub-Commission, Hq. Allied Commission.
To : Executive Commissioner, Hq. Allied Commission. ✓

Subject: Italian Shipbuilding and Repair Industry -
policy. 124

Enclosure: (A) Copy Allied Force Headquarters ltr. G-5:
826.4 NEI of 20 October 1945.

1. Enclosure (A) is forwarded herewith for
information.

H. St. J. Butler
H. ST. J. BUTLER,
CAPTAIN, U. S. NAVY,
FORREAR ADMIRAL
CHIEF, NAVY SUB-COMMISSION, AC.

Copy to:
Chief Commissioner.
Finance S/C, A.C.
Industry S/C, A.C.

P.A. Navy S/C are
taking care: ref conversation
ESO-NSC. Bray *Bray*
15/11

PA BU 7/11 for follow up to AFHQ
Encl 3 20/10

S/C —

B.U. 15/11: in any case, to my
mind Navy S/C should follow
up as they think fit?

I agree - wait for *ERS*
a further letter from *7/11*
Navy S/C - P/A *PA*

1586

(CAPT WHITE) *ERS 7/11*

PA 20/10

MJG/gjf

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

G-5: 826.4 NEI

20 October 1945.

OCT 30 1945

SUBJECT: Italian Shipbuilding and Repair Industry -
Policy.

TO : Headquarters, Allied Commission,
APO 394.

Your letter, NSC/3624 of 12 October 1945 subject as above,
was received at AFHQ on 18 October 1945. The questions raised
are now under consideration and you will be advised in due
course. Owing to the large field covered by the problem it
is not possible to estimate when a final reply can be expected.

For the Assistant Chief of Staff, G-5:

/s/ M. J. Glenn
M. J. GLENN
Colonel

Copy to: C-in-C Med.
COMNAVNAW.
XIII Corps.

1605

COPY

COPY

Enclosure (A)

5009

file
123

19 October 45.

OCT 25 1945

MEMORANDUM

TO : VP, Economic Section.

At the Chief Commissioner's Political meeting this morning the British Ambassador raised the matter of removal of Italian Industrial Plant to Germany. This subject was discussed at Executive Commissioner's meeting on 17 October 45 (see minute 7).

The Chief Commissioner desires information as to whether:

- (1) The German archives give information as to the quantity and description of the Italian plant removed from Italy to Austria and Germany and the location thereof in these countries.
- (2) Whether the Italian Government has already had access to these archives.
- (3) If the information can now be given to the Italian Government.

*Followed up to Sec. -
no reply
as of 24/10. (over)*

M. S. LUSH1004

Brigadier,
Executive Commissioner.

Copy to: Polad(A)
Polad(B)

2 copies to Econ Sec 24/11.

BU
26/10

(CAPT WHITE)

785017

SECRET~~SECRET~~

NSC/3624

12 October 1945.

SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.**TO : Allied Force Headquarters, G-5 Section.**

1. In reply to AFHQ letters of 27 August 1945 and 12 September 1945, two problems are raised: first, the immediate limited reactivation of the shipbuilding work at Monfalcone to relieve unemployment and prevent local disturbances, and second, the establishment of an interim policy for Italy with respect to the reactivation of the shipbuilding industry as a whole.

2. The conclusions made in sub-paragraphs 6(e) and (d) of AFHQ letter Log.P.182 of 15 August 1945 are concurred in. Sub-paragraph 6(a), which concludes that special efforts for the rehabilitation of Monfalcone, with Allied assistance, as a shipbuilding yard are not justified, is not concurred in. It is not considered that this policy is sound, for the reason that the policy of the Allied governments must be to restore normal economic conditions in Italy. Sub-paragraph 6(b), which states that there is no objection to the Italian Government advancing funds for the rehabilitation of the Monfalcone Shipyard, is not concurred in as the Italian Government has no jurisdiction in Venezia Giulia, which is Allied Military Government territory.

3. By copy of this letter, Headquarters XIII Corps, in compliance with paragraph 4 of AFHQ letter of 12 September 1945, is informed that the Allied Commission concurs in the proposals made in paragraph 2 thereof with respect to the immediate situation at Monfalcone, as follows:

- (a) Employ a limited amount of labor in the repair of Monfalcone Shipyard.
- (b) Adopt a shorter working day, with rotary shift system in Venice and Trieste.
- (c) Transfer some 800 workers daily from Monfalcone to Trieste.
- (d) Train riveters.
- (e) Salvage and repairs to tanker "Antonio Lotte".
- (f) Completion of 4 minesweepers and tanker on the Stocks at Monfalcone.

4. By copy of this letter, Headquarters XIII Corps is requested to furnish additional data on the immediate funds required to finance the above program and the proposal to make repairs to the Monfalcone Yard under arrangements made to repair bomb damage. Sub-paragraph 6(b) of AFHQ letter Log.P.182 of 15 August 1945 states that there is no objection to the Italian Government advancing funds for the rehabilitation of shipbuilding yards. Sub-paragraph 5(b), however, states it would cost 40,000,000 lire to restore Monfalcone to one-third capacity and it is believed that the Yugoslavs have no money for such a project and that it would be unreasonable to expect the Italian Government to produce the necessary funds when it is doubtful if the area in question will be returned to Italy. In this connection neither the Yugoslav nor the Italian Government has any financial jurisdiction in AMI Venezia Giulia and therefore any rehabilitation of the Shipyard while Venezia Giulia remains under AMI should be financed by AMI.

Sect 124 - 206, 212
-1-

PA 15/10

785017

SECRET~~SECRET~~

NSG/3624

12 October 1945

(121)

SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.

5. In reply to paragraph 7 of NAF 380 of 1943, the Combined Chiefs of Staff in FAN 243 of 1943 to the Allied Commander-in-Chief, Mediterranean Theater established a policy that every effort should be made to place the burden of expense and operation of Italian merchant vessels upon Italy. When funds are not available from Italian sources for the use of Italian shipbuilding resources, Allied Military Financial Agency, now Allied Financial Agency, was authorized, pending a final settlement, to advance the cost if in the interest of military necessity. It would therefore appear that funds may be advanced in lire, chargeable to the Italian Government in the event the Supreme Allied Commander, Mediterranean determines that the program outlined in paragraph 3 above for Monfalcone must be carried out in the interest of military necessity.

6. The Finance Sub-Commission, Hq. AG does not make direct advances to Italian industry through its sub-section, the Allied Financial Agency. If it is found desirable for reasons of military necessity to rehabilitate the Monfalcone Shipyard during the AMG period in Venezia Giulia, the Finance Division of AMG Venezia Giulia will provide the necessary funds. These funds will come from the same source as all other State expenditures in Venezia Giulia, i.e. by an advance from the central bank (the Banca d'Italia). The amount of state debt represented by this and similar advances will represent an obligation to be taken over by the power which is finally awarded sovereignty over the area.

7. A decision that the advance of funds for the operation of the Monfalcone Shipyard is required in the interest of military necessity could be supported under sub-paragraphs 4(b) and (d) of AFHQ Secret letter AG 388.3/087 GEG-0 of 2 August 1945, which directs the Allied Commission to encourage the manufacture of equipment and material directed by the Allies as being necessary for the maintenance of the interim Italian Army and to insure the operation of industries required for the production or repair of arms, munitions or other implements of war, only to the extent required by the Allied armed forces and merchant services. To alleviate the situation at Monfalcone, this authority properly could be invoked. Upon receipt of further comments from Allied Force Headquarters and Headquarters XIII Corps, the Allied Commission will take such action as may be necessary with respect to financing the work at Monfalcone.

8. The situation at Monfalcone indicates the urgent necessity for the formulation of a policy with respect to the rehabilitation of the Italian shipbuilding industry. Sub-paragraph G(2) of the report submitted by the commission appointed to investigate the condition at Monfalcone to the Chief Administrative Officer, Allied Force Headquarters, in letter ES/6.00 of 27 July 1945 refers to the policy of the Allied governments in regard to merchant shipbuilding in Italy. Sub-paragraph J(2) further states that the construction of any tonnage in these yards, if reconstructed, is a matter of high policy. The Allied Naval Commander-in-Chief, Mediterranean letter Med.829/4/18 of 24 March 1944, a copy of which is forwarded herewith as enclosure 1, established a general policy for naval and private shipyards under Allied control. Paragraph 3 thereof states that the policy is chiefly concerned with the immediate war effort, and not the general rehabilitation of the Italian shipbuilding yards. No policy is known to have been formulated governing the ship repair and shipbuilding activities in Italy now that hostilities have terminated.

785017

~~SECRET~~HMC/3624
2 October 1945

SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.

9. The Italian Ministry of Marine in October 1944 requested authority to complete a 2,000-ton tanker under construction at Ancona. The Ministry further requested authority to complete two 2,000-ton coastal vessels at Castellammare. The Transportation Sub-Commission, AC has recommended the completion of a 4,000-ton refrigerating vessel at Taranto. While demands for materials for shipbuilding were submitted to Allied Force Headquarters by the Allied Commission in letter AC-TC 98-45 HMC-295-TC of 24 March 1945, and subsequently forwarded to the Combined Chiefs of Staff by AFHQ(C.A.O.) letter of 7 May 1945, no authorization has been granted by the Commander-in-Chief, Mediterranean as required by paragraph 5 of enclosure 1, for the completion of any of these vessels. The Industry Sub-Commission, AC is sponsoring a program for the construction of coastal vessels, tugs and lighters as indicated in enclosure 2.

10. In April 1945 the Commander-in-Chief, Mediterranean was informed by the British Admiralty that the Admiralty, on general grounds and in particular for the protection of British shipbuilders, are adverse to promoting the early revival of the Italian merchant shipbuilding industry and are unwilling to supply materials therefor. While no policy is known to have been indicated by the United States, the British position is apparently at variance with the action taken by the Allied Commission and Allied Force Headquarters in submitting demands to the United States for materials to complete the 2,000-ton tanker at Ancona and for a 2,500-ton tanker at Castellammare not referred to previously.

11. An Allied policy is required and in the meantime it is proposed, with concurrence of Allied Force Headquarters, to inform the Italian Government that interim Allied policy relative to ship repair and shipbuilding facilities in Italian Government territory is as follows:

- (a) The rehabilitation of Italian ship repair and shipbuilding facilities for the repair of Italian merchant vessels and other repair work in the interest of the Italian civilian economy is approved and recommended.
- (b) The utilization of Italian ship repair and shipbuilding facilities for the repair of Italian merchant vessels must be accorded first priority.
- (c) The completion of all merchant vessels under construction in Italy, of 5,000-tons D.W. or less, which are over 50% complete and for which materials are either now available in Italy or can be procured through commercial channels is authorized and should be accorded second priority.
- (d) Italian ship repair and shipbuilding facilities are authorized to undertake work in the interest of Italian civilian economy provided no materials or equipment of any kind are manufactured, intended for war purposes or conversion into warlike stores. This work should be accorded third priority.

785017

~~SECRET~~NSC/3624
2 October 1945

119

CONFIDENTIAL
SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.

- (e) New construction of coastal vessels of 5,000-tons D.W. or less, schooners of 500-tons D.W. or less, tugs, lighters, floating cranes and miscellaneous harbor craft, is authorized provided materials and equipment can be obtained in Italy and no demands are made upon Allied resources except in normal commercial channels. This work should be accorded fourth priority.
- (f) The Italian Government will make arrangements for and designate an agency of the Government to discuss financial matters involving ship repair and shipbuilding facilities with Italian companies. No demands on Allied governments for assistance in financing ship repair and shipbuilding work will be made, which is considered to be an Italian Government responsibility.
- (g) No construction of naval vessels or vessels intended for conversion into naval vessels is authorized.
- (h) The utilization of Italian Government and privately owned ship repair and shipbuilding facilities for repairs to or modernization of Italian Naval vessels and for the production or repair of arms, munitions or other implements of war is under the Allied Naval Commander-in-Chief, Mediterranean and the Navy Sub-Commission, Allied Commission.
- (i) The repair of Allied naval and merchant vessels takes precedence over repairs to Italian vessels in accordance with priorities established by competent Allied authorities.

12. It has been suggested that the construction of merchant vessels of 5,000 tons D.W. or over should not be undertaken without the express approval of the Allied Commission. This appears to be a type of control contrary to the precepts of FAN 487. At most the Allied Commission could ask the Italian Government for notification of their intentions in this respect but further restriction would be unwise. Moreover, with the proviso that the Italian Government can expect no supply of materials from the United Kingdom, it would seem that the re-establishment of the shipbuilding industry in Italy, which will assist in the reduction of unemployment, can scarcely be prejudicial to the British industry at this particular phase after the war. It would rather appear that the rehabilitation of any shipbuilding industry in Europe will assist in the vital question of transportation. It is admitted that the prewar Italian shipbuilding industry, so far as large ships were concerned, was almost wholly subsidized and therefore uneconomical and that the country relied on imported riveters; these facts by themselves may be sufficient restriction in the industry, but it cannot be admitted that in its present state or even in the near future the revival of shipbuilding in Italy would seriously jeopardize that of the British Empire.

~~SECRET~~

CONFIDENTIAL

REC/3624
2 October 1949

(118)

SUBJECT: Italian Shipbuilding and Repair Industry - Policy for.

13. Approval by Allied Force Headquarters of the policy stated in paragraph 11 above is requested.

/s/ Ellery W. Stone

ELLEERY W. STONE
Rear Admiral, USNH,
Chief Commissioner.

Encl. 1
2

Copy to:
CINC MED
COMNAVHAW
Hq. XIII Corps ✓

1599

785017

Office of the Commander-in-Ch.
Mediterranean Station
Allied Force Headquarters,
ALAIERS.

24th March, 1944.

Med.829/4/18.

THE ALLIED CONTROL COMMISSION, ITALY.

(Copies to:- The Flag Officer, Taranto and Adriatic.
(Ref.1048/8 of 8th March, 1944).
The Flag Officer, Western Italy.
(Ref.437 dated 17th February, 1944).
The Commodore Superintendent, Taranto.
The Commander, U.S. Naval Forces, Northwest African Waters.
The Ministry of War Transport Representative, Mediterranean.
The Chief Administrative Officer, Allied Force Headquarters.
W.S.A.)

REPORT ON SHIPBUILDING YARDS IN ITALY.

The reports of the sub-commission of Italian experts on the ship building and repairing facilities in occupied and unoccupied Italy (excluding Sicily) deal primarily with the private shipyards. With the exception of Franco Tosi Yard at Taranto, and Navale Meccanica at Castellammare, all the large ship building yards are situated in Northern Italy. There are no facilities for the manufacture of main machinery installations, large forgings and castings in Southern Italy.

2. The following is the general policy worked to in the Naval and private shipyards already under Allied control:-

- (a) Assist and encourage the Italians to restore facilities which are required for the immediate war effort.
- (b) First priority is accorded to all ship repairs. Yards which were formerly engaged only on ship construction are taking an increasing share in this work. This policy to be extended as quickly as possible.
- (c) New construction orders already placed have generally been confined to barges, floating docks, and other craft of simple construction which are urgently needed, and which can be produced with the minimum of equipment.
- (d) It is considered that surplus skilled labour in ship building yards should be transferred to large ship repairing centres, e.g. Naples, Taranto and Brindisi. This additional labour would assist in the introduction of regular day and night shifts, which is necessary to speed repairs, and get the maximum value out of the available docks.

NOTE:- Towards the end of March all the dry docks at Naples will probably be in operation. A new caisson for No.3 dock has been expeditiously constructed at Castellammare.

3. It will be seen that the above stated policy is chiefly concerned with the immediate war effort, and not the general rehabilitation of the Italian ship-building industry.

116

4. Arrangements are made with the British Admiralty for the supply of repair materials to meet this programme. Italian stocks of ship repair materials should continue to be reserved for this work.

5. It is requested that any orders which the Allied Control Commission propose to place with Italian Shipyards should be referred to the Commander-in-Chief, Mediterranean for consideration. Copies of such proposals to be sent to the Flag Officer, Taranto and Adriatic and the Flag Officer, Western Italy. Any proposals for construction or repair of shipbuilding facilities such as shipyards, docks, slips etc. should be treated similarly.

6. The following technical officers on the staff of the Commander-in-Chief, Mediterranean have an office in Naples addressed c/o The Flag Officer, Western Italy, Navy House, Naples :-

Principal Base Engineer Officer:- Captain (R) C.M. Morrell C.B.E.,
(P.B.E.O.) Royal Navy.

Principal Base Constructor Officer:- Constructor Commander J.A. Mavor,
(P.B.C.O.) (Italy) Royal Navy.

Officer in Charge of Works (West Italy):- Commander (Sp), D.L. Ball,
(O.C.W.) R.N.V.R.

7. The Commodore Superintendent, Taranto (Commodore J. Powell, D.S.O., Royal Navy) is responsible for all ship repair and shipbuilding activities in the "Heel" ports viz. Taranto, Brindisi, and Bari.

8. British Admiralty technical officers are stationed in all ports where there are ship repair or building facilities.

9. It is considered that the above policy should continue in operation until the termination of European hostilities.

10. In view of the considerable work outstanding in the construction of the new Graving docks at Taranto, Naples and Brindisi, labour should not be employed on completing these projects.

1597

/s/ J. H. D. Gunningham

ADMIRAL

COPY

(115)

Programme for the building of Coastal Vessels, Tugs and Lighters.

Hull Material - Wood.

1. Motor schooners (approximate characteristics)

Tonnage (D.W.load)	200	300	500
L x B x D (metres)	29x7x3	35x7x3.4	43x8x4
Motor (S.H.P.)	130-155	190-230	275-400
Speed	7-8 Kts	8 Kts	8 Kts
No. to be built	80	70	50

2. Tugs

24 of Gross tonnage 50 tons 130-150 S.H.P.

3. Floating Cranes20 of 20 Tons lifting capacity
6 of 50 " " "

1596

Enclosure 2.

0500940
HEADQUARTERS, ALLIED COMMISSION
Navy Sub-Commission APO 394

NSC/3752
11 October 1945.

From: Navy Sub-Commission, Hq. Allied Commission.
To : Executive Commissioner, Allied Commission.
Subject: Italian Shipbuilding Industry. 112
Reference: (a) Executive Commissioner's ltr. 5009/112/EC
of 5 October 1945.

1. Enclosed please find NSC/3624 (for signature
of Chief Commissioner) with the changes requested in ref-
erence (a).

W. N. Wotherspoon
REAR ADMIRAL
CHIEF, NAVY SUB-COMMISSION, AC.

1535

See 114

(CAP WHITE)

HEADQUARTERS ALLIED COMMISSION
APO 394
Office of the Executive Commissioner

Ref: 5009/112/EO

5 October 1945

SUBJECT: Italian Shipbuilding Industry

TO : Navy Subcommittee

1. Your NSC/3624 (for signature of Chief Commissioner) is returned to incorporate changes made by Executive Commissioner (which are attached).
2. Introduction of paragraph 11 is revised. Sub-paragraph "g" is eliminated.
3. New paragraph 12 is added and paragraph 12 is changed to paragraph 13.

M. WHITE

1594

Chief Staff Officer
To Executive Commissioner

See folio 113

B/V
10/10

HEADQUARTERS ALLIED COMMISSION
APO 894
ECONOMIC SECTION

ROUTING AND WORK SHEET

Each note must be numbered and each space completely filled in. THIS WORK SHEET MUST NOT BE REMOVED FROM THE CORRESPONDENCE TO WHICH ATTACHED UNTIL ACTION IS COMPLETED AND THEN FILED WITH FILE COPIES OF COMMUNICATION TO WHICH IT PERTAINS. A line will be drawn the full width of the page under each note.

SUBJECT: Monfalcone Shipyards

No	Date	To	REMARKS	From
1	3/10 45	Executive Commissioner	Reference attached signal from XIII Corps, as I explained at this morning's meeting, the matter is not now in the hands of the Economic Section, but is the subject of a letter prepared by the Navy Sub-Commission which is awaiting the Chief Commissioner's signature.	<i>RW-for</i> D.L. ANDERSON Brig. Economic Section

1593

Lu 112

BU

(Capt White)

INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

109
ECON 3

Originator's Reference: 0431

Message Centre No: F/9735

Date/Time of Origin: OCT 021023A

Date Time Rec'd: OCT 021450

Precedence: OP-PRIORITY

FROM MAIN 13 CORPS

TO : ALCOM INFO AFHQ AMG 13 CORPS

CONFIDENTIAL

CONFIDENTIAL.

Subject is MONFALCONE shipyards.

Ref AFHQ letter dated 12 September and preceding correspondence. In view of his responsibility for law and order and fact that winter will soon be upon us Corps Comd is anxious to know what you can do. We are fully prepared discuss problem direct with you but would first like your views on our proposals as basis for discussion. Request you treat as urgent.

-2 OCT 1945 1755

Econ Sec Distr

ACTION:

INFO:

SSO

Supply Div

DIST

ACTION ECON SEC 3

INFO CHIEF COMMISSIONER

FILE 2

FLOAT

ACTION

HEADQUARTERS

7-OCT-1945

1532

A. C.

CONFIDENTIAL

OCT 15 1945

Ref. ES/5.14

30 September 1945

OCT - 2 1945

My dear Mr. Minister:

With reference to your letter 44/19926/51 dated 20 September 1945, I have been in communication with Allied Forces Headquarters who are the only channel of communication I have with the authorities in Germany and Austria on the subject of Italian assets in these two countries.

They have ruled that the disposition of claims to assets in Germany and Austria is primarily a matter for determination by the authorities at the place where the claimed assets are located. They have asked me to advise you that except in cases affecting a military interest in this Theatre, you should present your claims to property in Austria or Germany to the Russian, French, British or United States Embassies as the case may require.

I regret that I can not undertake to give you copies of all the captured German documents found in Ortisei (Bolzano) until their examination is completed and decision has been taken as to the ownership and future of the materials to which they relate.

Very truly yours,

/s/ Ellery W. Stone

1591

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dettores Alcide de Gasperi
Minister of Foreign Affairs
Italian Government
Rome

Ref. ES/5.14

30 September 1945

OCT - 2 1945

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Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dottore Alcide de Gasperi
Minister of Foreign Affairs
Italian Government
Rome

785017

Translation

The President of the Council of Ministers

EC

Will You Follow Up

Rome, 27 September, 1945

L.S.

L.W.S.

Dear Admiral,

SEP 28 1945

The Finsider company asked to be allowed to send to Germany and Czechoslovakia a group of technicians to ascertain the location and the state of *machinery the siderurgical plant belonging to the controlled companies Ilva, Siao, and Terni, and taken away from Italy by the German troops.

This implies machinery and parts of equipment which are indispensable for the rehabilitation of Italian siderurgical industry, even on a modest scale adapted to the possibilities of our country.

Waiting for the decisions to be taken by the allied authorities *machinery about the handing over of the plants, I draw your attention on the fact that it would be advisable for the technicians of the Finsider to be able to ascertain from now on, on the spot, the amount and location of the equipment removed.

I beg you to take in kind consideration the justified request of the Finsider Co., and kindly see that its request is granted without delay.

I shall greatly appreciate whatever action you will deem it advisable to take, and I remain, my dear Admiral,

Truly yours,

S. Ferruccio Parri

enclosure : 1

Admiral Stone
Chief Commissioner
Allied Commission
Rome

EO DIST - 23 Sept 45

Action : Soon See (2)
Info : Chief Commr
Exec Commr

B.D. 2/10

Comm

(Cam House)

(1 STARK COPY)

See 26 105
PA 110

103A
Particulars about the technicians appointed for the mission to Germany, to recover removed material.

- a) ADLER Edouardo, of the late Roberto and Stinaury Marichetta -
born in Milan, on September 8th, 1883 -
representative of the O.S.A. (Organizzazione Studio Applicazione)
Industrial machinery (formerly An. Adler & Co.)
Milan, via Marcora, 6
Domiciliated: Via Visconti Venosta, 3
Identity card: Milan, n. 450853 - 30 May 1945 -
- b) BAGLIONI Domenico of Andrea -
born in Turin, 21st April, 1895 -
representative of the IRIAC (Societa' Italiana Acciaierie) -
Cornigliano
Domiciliated: Genova - Regli -
Identity card: Milan, 471651 of August 23rd, 1939
Personale id. certif.: Genova, 9/8/1945, without number
- c) CALOMACI Luigi of the late Alessandro -
born in Venice - 13 October 1901 -
Manager of the Central Co. ILVA -
Domiciliated in Genova - at present a refugee in Voghera -
at ILVA's
Identity card: Genova n. 3452896
- d) GROCE Roberto of Adolfo and Morandi Aurelia -
born in Milan, on November 1st, 1909 -
Living in Rome, via Domenico Ghelini, 9 - int. 3 -
profession: engineer
driving licence n. 111532, issued by Milan Pref. on 16/8/1938

1589

Particulars about the car that is to proceed to Germany

Lancia Augusta, 4 seats, registered MI 16182
engine n. 11361 - chassis n. 31 - 12880, HP 14
registered under the name of Rag. Frando Cavalli - Milan - via Mario Pagano, 47

