

Declassified E.O. 12356 Section 3.3/NND No. 785015

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10000/110/229 68/XOA - ALLIED POLICY
TOWARD ITALY
JAN. 45

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HEADQUARTERS ALLIED COMMISSION
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Ref: 4001/COS.

5 January 1945.

Attached is a copy of a paper, "Allied Policy towards Italy", which I wrote and circulated to various Government Departments in London as a basis for my discussions with them during my visit to England a few weeks ago.

The paper was designed only as a preliminary essay and for consumption in London. It must be read in that light. Nevertheless I think that some of my American and British colleagues at Allied Force Headquarters and the Allied Commission will be interested to see it.

H. MACMILLAN,
The Resident Minister.

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H. McCallum,
The Resident Minister,
Central Mediterranean,
Acting President
Allied Commission.

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ALLIED POLICY TOWARDS ITALY.

Note by the Resident Minister, Central Mediterranean.

PART ONE.

Introductory.

I

Italy, like Gaul, is at present divided into three parts:

- (1) Rencolring's Italy, population approximately 24 million, covering about three-eighths of the country.
- (2) Liberated Italy, under Allied Military Government. This covers about one-eighth of the country; population about 5 million.
- (3) Liberated Italy with Sicily and Sardinia under the Italian Government. This covers about one-half of the country; population about 19 million.

The functions of the Allied Commission extend over these three territories. It must plan forward for Rencolring's Italy. It must plan currently for, and administer, Allied Military Government Italy, both in respect of present needs and in anticipation of restoring the territory to the Italians. It must plan and advise in respect of Italian Government Italy.

Any attempt to place these functions under separate authorities would be unworkable. Indeed, in the latter part of 1943 experience proved this to be the case, and the remedial measures then taken met with general approval.

It is not always recognized that far the greater part of the work of the Commission, with the exception of the Political Section (for which I am making separate proposals) concerns the first two of these territories. Moreover, the advisory duties will tend to decrease for Italian Government territory; although participation in planning of imports, both consumption and capital goods, must necessarily continue. Some degree of inspection must also be maintained in order to secure the maximum use of their own facilities by the Italian Government. This is the normal practice of administering authorities (such as the Middle East Supply Centre, North African Joint Deception Board and other similar bodies) which have operated under the general guidance of the Combined Authorities in Washington.

This situation presents an exceedingly difficult administrative problem. The Commission of the functions and composition of the Allied

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(3) Liberated Italy with Sicily and Sardinia under the Italian Government. This covers about one-half of the country; population about 19 million.

The functions of the Allied Commission extend over these three territories. It must plan forward for Kesselring's Italy. It must plan currently for, and administer, Allied Military Government Italy, both in respect of present needs and in anticipation of restoring the territory to the Italians. It must plan and advise in respect of Italian Government Italy.

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This situation presents an exceedingly difficult administrative problem. Any reorganization of the functions and composition of the Allied Commission in order to carry out the new policy towards Italy must have regard to these overriding facts or disaster will ensue.

II

Apart from the psychological difficulty inherent in maintaining Allied Military Government in a part of the liberated area while allowing the Italian Government to administer the rest, there has been a duality in Allied policy to Italy ever since the signing of the Armistice was followed by the acceptance of co-belligerency. Sometimes we have stood upon one leg - the strict enforcement of Armistice terms upon a defeated enemy; sometimes upon the other - friendship and assistance to a co-belligerent whose relations with us are becoming more and more those of an ally.

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We must now, I think take the line that the recent formal change of name from Allied Control Commission to Allied Commission has a real meaning. It should be our purpose only to exercise control where our military needs require it. Whenever possible the function of the Commission should be that of a mission of experts offering advice. If our advice is not accepted, we must stress our shoulders and allow affairs to take their course. Only in this way can we bring a sense of reality and responsibility to the Italian authorities.

We should now inform the Italian Government that while we propose to hold absolutely to all our rights under the Armistice, and do not intend to discuss any settlement of purely post-war problems (for instance, territorial and colonial arrangements), yet, subject to the overriding military needs for the conduct of the campaign, we shall hold these rights largely in reserve. We shall make the transfer of authority to the Italian Government as great a reality as possible. In consultation with them we shall provide, if they require it, expert advice on such questions as justice, education, fine arts, and the like. If they prefer to do without these experts in their territory, we shall raise no objection. In the more important sphere of finance, labour regulation and wage negotiation, we should strongly urge them to listen to our views, although the principle would be that the final decision would rest with them. Indeed in every matter which is within the competence of the Italian Government, that is, regulation of their own internal political and economic life, we shall play the role of advisers, except to the extent that the military authorities require to control specific functions or to take over particular properties.

There are, however, two stern warnings which we should not hesitate to give. First, insofar as the scale of Allied imports depends upon the efficiency or otherwise of home production, we must make it clear that we shall have regard to the degree of Italian self-help - within the physical possibilities of their present situation - in fixing the standard of our help to them. Secondly, we must insist on the maintenance of law and order. If security is threatened, in a way to invade or imperil our military operations, we should not hesitate to raise one military government either in whole or in part. Subject to these provisions, our handling over of control to the Italian Government in their territory should be far-reaching and sincere.

END TEB.

Nothing the adding to.

(The Allied Control Commission has been renamed the Allied Commission).

There are certain specific changes which I recommended in pursuance of this policy. I have discussed them informally with the Chief Commissioner and some of the more important officials of the Commission and we have reached a broad measure of agreement.

views, although the principles are the same. Indeed in every matter which is within the competence of the Italians to do for themselves, that is, regulation of their own internal political and economic life, we shall play the role of advisers, except to the extent that the military authorities require to control specific functions or to take over particular properties.

There are, however, two main matters which we should not hesitate to give. First, insofar as the needs of Allied imports depends upon the efficiency or otherwise of home production, we must make it clear that we shall have regard to the degree of Italian self-help - within the physical possibilities of their present situation - in fixing the standard of our help to them. Secondly, we must insist on the maintenance of law and order. If security is threatened, in any way to lands or imperil our military operations, we should not hesitate to take the military government either in whole or in part. Subject to these provisos, our handing over of control to the Italian Government in their territory should be far reaching and sincere.

PAGE TWO.

Making the middle "9".
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There are certain specific charges which I mentioned in pursuance of this policy. I have discussed them informally with the Chief Commissioner and some of the more important officials of the Commission and we have reached a broad consensus of agreement.

I

I propose that the political section of the Commission be abolished.

This Section, which is managed by an American and British Vice-President of equal rank, belongs to the early post-armistice period. Their Italian sovereignty was little more than a fiction, resting upon an aged and exiled king, with his little retinue of insignificant courtiers and an important if gallant Marshal - huddled in a medieval castle in Brindisi, itself the most distant point in Italy which fugitives can reach.

Since that time policy has developed. The Italians have received in Rome an American and a British Ambassador. They are sending their Ambassadors in return to Washington and London. Although there is some time distinction (in the British, not the American case) between the pre-war and the post-armistice relations, the ordinary public, not representative of the minority

of the protocol, do not easily differentiate between a diplomatic representative with the personal rank of Ambassador and a "right-down regular royal" Ambassador, old style.

Moreover, the Italians are now themselves in direct relations with United Nations and neutral powers. Interchange of Ambassadors and Ministers is going on at an ever increasing pace, the Latin Republics of South America being particularly prominent in this diplomatic pilgrimage to Rome.

In theory all formal communications between the representatives of other powers and the Italian Government should pass through the Commission, there being no objection to informal and unofficial contacts. This has not applied to Russia; and the United States and British representatives have now notified the Commission of the resumption of direct relations between their Governments and the Italian Government. It would seem, therefore, that to maintain in theory a rule which was never in practice enforced or even capable of being enforced, would be useless and even ludicrous. I propose that we should confine to the Italian Government that they may have direct relations with foreign representatives admitted to the Quirinal, and at the same time tell them that they will be expected to keep us generally informed on any negotiations in which they may be engaged.

Similarly, in theory all Italian communications to their representatives abroad are made through the Allied Commission. They are either sent in a cypher of which we hold the key or in Allied cypher. Copies "en clair" are sent to the Political Section. In the case however of Russia, messages are sent through Soviet cyphers, no copy being sent to the Commission.

The Soviet representative on the Advisory Council has proposed that the Italian representative in Moscow be given his own cypher. It seems difficult to refuse this request. The question of the provision of independent cyphers for the Italian representatives in London and Washington has been raised by the Italians. It has been referred by the Commission to Allied Headquarters and by them to the Combined Chiefs of Staff.

I propose that this request should be granted.

I propose that this privilege should be extended to their representatives in other countries.

The original insistence upon the communication of copies of telegrams to the Political Section was based partly on considerations of military security. But members of the Advisory Council (including Greece, France, and Yugoslavia) have either facilities; so has the Brazilian General Staff. It is true that other United Nations and neutral representatives admitted to the Quirinal have no facilities; but the representatives of the great powers at

their Governments and the Italian Government to maintain in theory a rule which was never in practice enforced or even capable of being enforced, could be useless and even ludicrous. I suppose that we should confirm to the Italian Government that they may have direct relations with foreign representatives accredited to the Quirinal, and at the same time tell them that they will be expected to keep us generally informed on any negotiations in which they may be engaged.

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Thus, so far as military news reaching us of Italy is concerned, we are already trying to block the channel with a sieve. Another leak or two are of little consequence.

If these concessions are made, there is no need for the Political Section as such to postpone. The function of giving political advice to the Commission can be undertaken by the British and American Ambassadors. In order to effect this, I have worked out a plan (details of which are given in Appendix A i) with the British and American Ambassadors in Rome and it has their approval. I propose that it should be put into effect forthwith.

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III

I propose that we surrender the control over Italian legislation in Italian territory.

In point of fact, nothing in the Armistice terms gives the Commission any right to be consulted on all decrees of the Italian Government. In practice, a large proportion of decrees proposed are sent for study and advice by the appropriate Sub-Commission. Sometimes, as in the case of a recent decree raising wage rates, the Council of Ministers approved the decrees without prior and detailed approval from the Commission. (I am bound to observe that in this instance my sympathies were with the Italian Government, who as sometimes happens with Governments, could not withstand powerful political pressure (exercised only by the theoretical arguments of civil servants and statisticians.) The formal claim to approve decrees is difficult to enforce - as has been proved - since the only remedy would involve the removal of the Minister or the Fall of the Ministry. It is wiser, in the new conditions, to rely on moral persuasion and even, when required, pressure; and to develop a normal habit of consultation on matters, particularly economic, when our joint interests are involved or when action taken in Italian Italy must, in fact, be followed in Allied Italy. The formal renunciation of this right to approve decrees, would certainly be welcomed by the Italians.

III

Similarly, I propose that the control of Italian appointments in Italian Italy be modified or surrendered.

Again, it is doubtful whether we have a right to this control under the Armistice terms. But shortly after the first transfer of territory (15th February, 1944) there was an exchange of letters between General Mason Macfarlane and Marshal Badoglio. In effect, by those letters it was agreed that all appointments to the Government and all senior appointments by the Government should be subject to the prior approval of the Commission. I attach in Appendix B.i. a list of officers finally agreed to be subject to this control, so far as the Civil Affairs Section is concerned. It will be seen that it goes down to the Mayors and Town Clerks of towns of 15,000 inhabitants. Appendix B.ii. gives a similar list affecting the Economic Section.

The Italian Government has recently requested that the position be revised. They have submitted a very short list of officers to which this right should apply. It includes Ministers and Under Secretaries of the Government, the heads of the fighting services and so forth (Appendix B.iii.).

So far as the approval of officials in Appendixes B.i. and B.ii. is concerned, I take it that the chief object was to secure "defascistification" rather than to guarantee efficiency. Indeed, after a country has been put a surrender under a Soviet regime, these two purposes may well be contradictory. Further, these considerations...

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So far as the approval of officials in Appendices B.i. and B.ii. is concerned, I take it that the chief object was to secure "defascistization" rather than to guarantee efficiency. Indeed, after a country has been for a generation under a Fascist regime, these two purposes may well be contradictory rather than complementary. While the right of approval has certainly helped to achieve the first purpose, I think it is no longer necessary. Public opinion does not need stimulating on this issue. On the contrary, operation in Italy (as in other countries) may be pushed dangerously far.

In practice, Italian nominations are approved almost as a matter of course.

I believe that our control over all the appointments in Appendices B.i. and B.ii. be surrendered forthwith.

About the list submitted by the Italians themselves I am not so sure, but my inclination would be to surrender this formal right also, and rely on allied influence and authority only. I feel that all the more as the legal right only rests on this exchange of letters between the General and the Marshal. Although the undertaking given in these letters (Appendix B.ii) is no doubt one of those inherited by the Allied Government from its predecessor, yet (unlike the

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short and long armistice terms which were read and accepted by every member of the new Government) these letters - either by omission or contrivance - were overlooked.

I therefore urge that we waive the right of approval altogether - with one exception.

A short list should be agreed of Service chiefs - to include Chiefs of Staff and Commanders of formations equipped for active service in the field. In their case it would perhaps be wiser to ask that the approval should be obtained of the Supreme Allied Commander or the Combined Chiefs of Staff.

If this recommendation is approved, certain consequential changes will have to be made in the legal documents of transfer of executive provinces from Military Government to Italian Government, since it has been the practice to include in these a clause preventing the removal of any Italians appointed by Military Government authority to posts within the territories concerned.

This is a mere formality.

IV

I propose that local officers of the Allied Commission should be withdrawn from Italian Government Italy.

One of the features of the control which is most apparent to and therefore to some extent resented by the Italians is the presence of local Allied officers in all the regions handed back to Italian control. Since, in many cases, these are the same officers who were functioning during the period of military Government, the change from "direct" to "indirect rule" is correspondingly obscured.

The Commission itself, under the two main Sections of General Administration and Economic Affairs, is organized into some twenty sub-Committees, corresponding to the various Italian Ministries. In the regional Regional offices, with specialists from one or other of these sub-Committees to assist or employed, this only strengthening the argument for their total elimination. They are too insufficient to govern, but sufficient to interfere. And their presence tends to weaken the sense of responsibility of the Italians themselves.

For instance, during the recent riots at Palermo, it was the Italian prefect who was responsible for calling out the troops, which he did somewhat precipitately. He had a Regional Commissioner who was powerless either to act or restrain action. And the very presence of a Regional Commissioner in Italian administered territory allowed the Italians to pursue the congenial plan of throwing upon us - in the public opinion of the world - a responsibility which belongs to themselves.

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The Commission itself, under the two main Sections of General Administration and Economic Affairs, is organized into some twenty Sub-Commissions, corresponding to the various Italian Ministries. In the regional Regional officers, with specialists from one or other of these Sub-Commissions to assist them. Although a very drastic reduction has taken place recently in the total as employed, this only strengthens the argument for their total elimination. They are now insufficient to govern, but sufficient to interfere. And their presence tends to weaken the sense of responsibility of the Italians themselves.

For instance, during the recent riots at Palermo, it was the Italian prefect who was responsible for calling out the troops, which he did somewhat precipitately. He had a Regional Commissioner who was powerless either to act or restrain action. And the very presence of a Regional Commissioner in Italian administered territory allowed the Italians to pursue the conventional plan of throwing upon him - in the public opinion of the world - a responsibility which belongs to themselves.

It is true that there must be local contacts between the Allied Military and local authorities in Italian governed Italy, especially in places where there are still Allied installations. But this function could well be performed by Liaison Officers attached to the various Military Area and District Commanders. Where matters were incapable of local adjustment or when technical advice was required (for instance, on transportation and public utilities) special "trouble shooters" could be summoned from the Commission at home or, at the request of the Italians, specialist officers made available to them for special duties.

The general view of the senior members of the Allied Commission favours complete withdrawal. The Political Advisers (in the shape of representatives of the Embassies) feel that it is of considerable psychological value. Allied Forces Headquarters would have to agree in detail the system of Liaison Officers from the point of view of District and Area Commanders - but I do not anticipate any difficulty in devising a workable plan.

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Undoubtedly, the more the contacts and, where necessary, pressure - between the Allies and the Italian Government can be confined to the cabinet and at a high level, the better relations will be. Italian Ministers present the appearance rather than the reality of control. And the withdrawal of officers from the field would enormously enhance the prestige of the Government.

The officers made available - probably some 150 if we begin with Southern Italy and the islands - could be used in the general pool. Some could strengthen H.Q. and replace some of whom we would wish to be rid; others would be most valuable for the Northern regions; those surplus or least competent could be spread altogether.

V

Certain central, as well as local, functions of the Allied Commission in Italian Government Italy should be abandoned altogether.

There are a number of functions of sub-commissions assigned to carry them out which can well be surrendered. This does not, I regret, mean that any of these sub-commissions can be liquidated. They must remain for the work in Allied Italy and to prepare the work in Kennel's Italy. Such are, in the administrative field, movements and fine arts, Education, Local Government. In the economic field, arrangements are already being made to hand over to the Italians (subject only to inspection) the distribution of food and other supplies in Italian territory.

More again, this proposal is approved by the leading officers of the Commission.

VI

Changes in the Commission itself have been suggested as likely to emphasize the sincerity of the new policy embodied in recent statements of the President and the Prime Minister. Demilitarization has been put forward on this as well as other grounds, and will be discussed in a later section of this paper. In view of the arguments advanced in the introduction, and the importance of the military government aspect of the Commission's work, there is a very definite limit to what can be achieved by this method. But, in general, both by the issue of a new and clear directive and by a re-statement publicly and with great precision of Allied policy towards Italy, the whole conception of the Commission's new purposes and functions in Italian territory can be made effective. We are to be mindful, not controllers; older brothers to our weak and errant nations.

All Italians are children. They are mostly - very mostly, sometimes vicious children. But all are children. They must be treated kindly but firmly. In any case, we can take from their ancient literature as our guide a sentiment which is often forgotten: "Treat the children as you would be treated."

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All Italians are children. They are mighty - very mighty, sometimes vicious children. But all are children. They must be treated kindly but firmly. In any case, as you take from their ancient literature as our guide a sentiment which we have often thought the popular tradition of the Anglo-Saxon race - "Parce subjactis et debellare superbo".

To the Italians both parts of this sentence might apply. They were intolerably puffed up; they have been wholly defeated. Justice should now be tempered with mercy.

PART THREE

Allied Commission: Composition and Structure.

I

The introductory paragraphs of this paper explained the three-fold character of the Italian problem. This reflects itself in the somewhat complicated composition of the Commission itself. It has to serve needs arising out of past, present and future military operations. This should influence the approach to the question of demilitarization, which is being recommended in certain quarters in London and in similar circles in Washington.

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I cannot believe that those who propose rapid or wholesale demilitarization have understood that three-quarters of the effort of the Commission is necessarily concentrated on those parts of Italy occupied or about to be occupied by Allied armies - that is, what I have called, Allied Italy and Kesselring's Italy.

In Allied military government territory it is really quite impracticable for the organization to function except with officers in uniform. This will apply until the final stages of the operation. When the army has been driven from all Italian territory and when the first shock has been taken by the A.S.G. organization in the rear of our advancing armies, all Italy (except perhaps certain disaffected provinces, such as Venezia Giulia), will in due course be returned to Italian control. The Commission can then be almost wholly demilitarized because its sole function will then be to give expert advice to the Italian and to protect our long-term interests under the Armistice.

If the idea for withdrawing local representatives of the Commission as a whole or by stages from Italian Government Italy is adopted, it will automatically reduce the number of military officers employed, or make them available elsewhere. It will also, however, eliminate altogether the one sphere, that is in the regions of Italian-controlled territory, where total "civilianisation" might have been practicable.

If it is agreed that the three Italies must be treated as a whole - and this has not been challenged by anyone who has seriously studied the problem on the spot - then the great majority of the officers of the Commission must be in uniform. The simplest examples of the indispensable character of the Italian problem emphasises the impracticability of any but the most gradual demilitarization. Oil from Spolia must be moved into the basins of Naples or the Province of Grosseto; so must wheat from Macerata Province (which is a surplus area) be moved into Italian Government Italy further south. How can any plan be made of rehabilitation of areas of productive resources, which does not take into account existing conditions in the two liberated Italies and make some calculation of probable needs in army occupied Italy?

"Demilitarization" is only possible in the headquarters of the Commission, not in the field. In headquarters this is already being done to a considerable extent. There are 49 American although only 2 British civilians of officer status in the two key sections, Economic and Civil Affairs. More are being asked for. Brigadier Lush - Chief of staff - has been occupied recently in London with obtaining additional British civilians for important posts. And there is no objection, in principle, to a further extension. But there are limiting factors to this process. Certain positions, for technical reasons, must be held by military officers. For instance, Allied Military Courts which are set up in different parts of the country, including Italian Government territory, must be manned by military officers since their only sanction is military. It has been found necessary to use these courts as the only effective

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It is very important to allow some degree of flexibility. It is desirable to send officers from Headquarters in Rome into the field and vice versa. Since officials in the field in A.A.G. territory must be in uniform, this consideration clearly limits the extent to which civilians should be introduced to Headquarters. In effect, they should be confined to certain posts - mainly senior posts at Headquarters - particularly on the economic side. It may be urged that certain officials - for instance in the Economic and Finance Sections - Commission in the field might be civilians. Just the opposite is the case. The only hope of doing that early work of salvage on which so much depends is the practice enabling a soldier to get some materials and labour out of the military at a time when they are mutually preoccupied with the battle. Very a sincere Martin or Clotto has been asked by timely attention - a little working or shoring up a fractured wall. The Professor in battle dress masquerading as a Colonel may succeed; in cap and gown (or even flannel) he would scarcely reach the scene of action.

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Apart from the creation of "demilitarization" which has so exercised the War Department and the War Office (somewhat strangely, since in our citizen armies so many of the soldiers are but disguised civilians) the chief trouble of the Commission has been absenteeism. For a long period, there has been no Chief Commissioner, and for very months, the Vice President of the Economic Section absented himself. His successor functioned for a few weeks and then returned home. (It may perhaps be worth observing that civilians absent themselves without leave more freely than soldiers). If we are to have any chance of orderly progress, this must cease. There must be introduced a more serious attitude in London and attention towards appointments to high places. The principle by which the right of appointment to particular posts has been regarded as vested (like an inheritance) in one or other Government, is vicious. After due consideration I will suggest some necessary changes in the higher ranks. After that, I trust the promotion and discipline within the body will be left to the Chief Commissioners.

The morale of the Commission has been seriously shaken by these vacillations and uncertainties. And there has been a feeling that their work has been misunderstood, and unfairly criticized.

I think that all is now set for a new phase, and I shall make every endeavour (with the help of the Chief Commissioners) to restore and revivify the organization as a team, loyal both to itself and its duties.

PART FOUR

The Economic Problem

I. INTRODUCTION

It is unnecessary to emphasize the serious situation in which present day Italy finds herself from the economic point of view. Even before the war, in spite of all the effort towards self-sufficiency made by the Fascist regime, the financial and economic position was radically unsound. Budgetary figures were faked or at least distorted to conceal the real facts.

The problem of whether the Italian Peninsula can be made a "great concern" is age-long. Without coal or iron, Italy is not a naturally strong unit. The development of hydro-electric power has to some extent in the last twenty years replaced the necessity for coal imports. But the hydro-electric power of Southern Italy has been greatly reduced; that of Central Italy has almost wholly gone; that of Northern Italy is threatened with total destruction.

Before the war the balance of payments, since imports of all kinds, including wheat and oil, were necessary, could only be kept stable by four means. First, a certain range of exports, chiefly of high-class manufactured goods and some agricultural products: second, tourist traffic; third, migration;

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Before the war the balance of payments, since imports of all kinds, including wheat and oil, were necessary, could only be kept stable by four means. First, a certain range of exports, chiefly of high-class manufactured goods and some agricultural products; second, tourist traffic; third, migration; fourth, shipping earnings. The first and last have disappeared. The second has been replaced by a particularly unrepresentative form of tourist - the Allied candidate - who up to now at least have spent in Italy not dollars or sterling, but A.M.G. lire popularly known under the name of "phony dough". Migration since has continued in the shape of many hundreds of thousands of Italian prisoners who are being maintained abroad. At the same time, apart from the destruction of power and machinery, large quantities of poultry (in Southern Italy 85 per cent), sheep and cattle (in Southern Italy 80-90 per cent), horses, sales and oxen have been carried off by the Germans. When they have been spared, by the retreating, they have been freely requisitioned by the liberating armies. Very substantial quantities of vegetables and meat running into some hundreds of thousands of tons have been purchased locally by the Allied Quarter-masters. In addition to these traditional traditional transactions modern innovations add a new injury to a country which medieval techniques at least avoided. Not only in property taken from the inhabitants, but it is paid for by a vast infliction of currency threatening the stability alike of savings and earnings. Considering the fact that the Italian financial position is quite desperate, it is a very remarkable tribute to the saving habits of the people and their confidence in established authority that a runaway inflation or the Greek model has so far been avoided.

In addition to all these disasters, the transport and communication system of liberated Italy has been largely destroyed. In assembling Italy it is being daily demoralized by the efforts of the subterranean air force. Railways, bridges, culverts, rolling stock, motor transport, have suffered from allied air enemy destruction alike. To the extent that these facilities have been replaced they are primarily reserved for military requirements.

All this, of course, is the well deserved punishment for the guilt of their actions which the Italian people must bear. But none the less these are facts in the situation which cannot be overlooked by their liberators.

In these circumstances, nothing could have kept liberated Italy in existence except a high level of imports of civilian needs hitherto planned, requisitioned and shipped by the Allied Military Authorities. According to the President's statement of 14th October, 1944, these had to that date amounted to 2,500,000 long tons of civilian supplies of which 1,107,000 were food products.

III

WAR DEFEND PAPER

These civilian imports into both sections of liberated Italy have up to now been regarded as a legitimate war expenditure and carried on the military budgets. Their scale has been regulated by the so-called "disburse and interest" formula; that is to say, the Supreme Allied Commander has been required to certify that his requisitions in this field are necessary in order to prevent the outbreak of either one or the other in a manner likely to impede military operations.

It is believed that the War Department has recently reached the conclusion that even on this scale there was no justification for carrying such expenditure in respect of "Southern Italy" on their budget. This is quite illogical. As already stated, Italy must be treated as a whole. Products must be moved from surplus to deficiency areas without regard to the exact geographical line dividing Allied controlled Italy from Italian controlled Italy. Moreover, the lines of communication still to some extent traverse the latter territory. It is for this reason that the Command of Naples is still kept under military government although geographically in a transferred area. In any case, whether these supplies are carried upon a military budget or not, they must be introduced into the country at the expense of the American and British taxpayer. Since they must be requisitioned as a military priority, called forward by military authorities and shipped by the military, it would seem more satisfactory that they should continue to be dealt with on the military account. It is absolutely essential from a practical point of view if we are to obtain delivery.

It is desirable, therefore, that imports of consumption goods and certain essential needs should continue to be financed by the War Department and the War Office for civilian needs in Italy. Moreover, since some continuity of planning is necessary for efficiency, they should be so provided as long as Italy is a theater of or base for military operations and for a period of say six months thereafter. In addition, the scale of these should be regulated by a

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THE IMPACT PROBLEM

These civilian imports into both sections of liberated Italy have up to now been regarded as a legitimate war expenditure and carried on the military budgets. Their needs have been regulated by the so-called "military and urgent" formula; that is to say, the Supreme Allied Commander has been required to certify that his regulations in this field are necessary in order to prevent the outbreak of either one or the other in a manner likely to impede military operations.

It is believed that the War Department has recently reached the conclusion that even on this scale there was no justification for carrying such expenditure in respect of "southern Italy" on their budget. This is quite illogical. As already stated, Italy must be treated as a whole. Products must be moved from surplus to deficiency areas without regard to the exact geographical line dividing Allied controlled Italy from Italian controlled Italy. Moreover, the lines of communication still to some extent traverse the latter territory. It is for this reason that the Commerce of Naples is still kept under military government although geographically in a transferred area. In any case, whether these supplies are carried upon a military budget or not, they must be introduced into the country at the expense of the American and British taxpayer. Since they must be requisitioned as a military priority, called forward by military authorities and shipped by the military, it would seem more satisfactory that they should continue to be dealt with on the military account. It is absolutely essential from a practical point of view if we are to obtain delivery.

It is desirable, therefore, that imports of non-military goods and certain capital goods should continue to be imported by the War Department and the War Office for civilian needs in Italy. Moreover, since some certainty of planning is necessary for efficiency, they should be so provided as to be Italy is a theatre of or base for military operations and for a period of any day would thereafter. In addition, the scale of these should be regulated by a more liberal interpretation of the "military and urgent" formula, and this for two reasons. First, because another year of shortage has greatly increased the needs of the people; second, because it is equitable that having shared in the support of the Italian war effort, they should be allowed to share in the support of our arms, a standard of life for the civilian population, many of them dependants of the fighting men, should be regulated at a somewhat higher level than that suitable to a conquered but non-cooperative nation. The degree of increase cannot be represented by a fixed percentage. Account must be taken of such requirements. Imports of food must be such as to allow a daily ration of 300 grams throughout the whole of the liberated areas and planning to allow such a ration than Italy's Italy is freed. At present General Wilson, by an act of "war" against this, has increased the ration south of the Garigliano from 200 to 300 grams a day. It is true that his main purpose was to assist in the "marketing" of grain collection and reduce the pressure on wages by breaking the black market. This experiment was remarkably successful in both its primary objects. But a second active was a desire to raise standards to something nearer what doctors tell us

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constitute the recession of life. (It is interesting to note that the Swedish Red Cross has never provided less than a ration of 350 grams per day for the population of Athens, with 440 grams per day for heavy workers). General Silioti in his telegram, attested by the statements of the President and the Prime Minister, has made several appeals for authority to extend the 300 grams ration north of the Corinthian line covering all Allied Italy. This is partly for humanitarian and partly for military reasons, since the evacuation of Rome, where the ration is 200 grams a day, and of such towns as Florence and Civita has caused great anxiety in security grounds to the military authorities. His telegram of 19th October (See Appendix B) emphasizes his arguments which were presented in earlier messages. So far, no reply has been received. Similarly, boots and clothing must be proportionately furnished; trucks for civilian transport must be made available, to other with tyres, tubes, and spare parts. In the President's Declaration of 4th October, 1,700 additional trucks were promised. None has arrived, nor has any indication yet been received from Washington, as to the date when they may be expected. The same declaration referred to temporary power facilities to furnish electricity. These have been on order for nine months. We know that they are actually in existence, but again their destination is wrapped in mystery and silence.

The normal requisitioning of civilian supplies on military account
framed upon a mere liberal interpretation of the "disarm and disarm" formula
is essential. I trust that the Italian Government will be willing to provide
their share on the basis of the agreed percentage according to the overall
agreement with the United States Government.

In addition to supplies on their account, the declarations by the heads of the two Governments have led us to believe that further deliveries would be made available to meet the needs not only of the present but of the impending future. These seem to be provided, so far as the limited stocks were concerned, by various sources of finance outside military responsibility, such as value of the American troop pay in Italy, remittances from American citizens in Italy, and various other items. It was not clear what the total would be. Various calculations have been made ranging from 150 to 250 million dollars. In any event, I trust that the Italian Government will contribute a percentage of what ever the sum may prove to be in the usual proportion.

Nevertheless, in spite of every effort by General Silioti to put some indication from Washington of how the declarations made in September and October are to be translated into reality, so far no reply of any kind has been received - except of a negative and dilatory character. On the assumption, however, that this is merely due to the long technical procedure of the C.C.S. and C.C.A.B., General Silioti has given instructions for planning to proceed. These are set out in his 8th of 1st November (Appendix B). 100% of 9th November, which was sent during my absence in Athens, in attempting to elaborate the plan, departed from its essential principle. It should be withdrawn. A programme of industrial first-aid is being drawn up to range somewhere within the figures believed likely to be available - 150 million to 200 million dollars. This is being drawn up for the immediate needs of Southern and Central Italy and making provision for the future needs of Northern Italy.

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The normal rehabilitation of civilian supplies on military account
framed upon a more liberal interpretation of the "disposal and transport" formula
is essential. I trust that this country's Government will be willing to provide
their share of the cost on the agreed percentage basis, in the overall
agreement with the United States Government.

In addition to supplies on this account, the declarations by the heads of the two Governments have led us to believe that further deliveries would be made available to meet the needs not only of the present but of the future. These were to be provided, so far as the United States were concerned, by various sources of funds outside military responsibility, such as value of the American troop pay in Italy, remittances from American citizens to Italy, and various other items. It was not clear what the total would be. Various calculations have been made ranging from 150 to 250 million dollars. In any event, I trust that this country's Government will contribute a percentage of what we do and my proof to be in the usual proportion.

Nevertheless, in spite of every effort by General Wilson to get away indication from combination of how the declarations made in September and October are to be translated into reality, so far so copy of my kind has been received except of a negative and military character. In the meantime, however, that this is merely due to the long technical procedure of the C.C.S. and C.I.A., General Wilson has given instructions for planning to proceed. These are set out in an R10 of 1st November (Appendix B). 2001 of 9th November, which was sent during my absence in Athens, in attempting to elaborate the plan, departed from its essential principle. It should be withdrawn. A programme of industrial first-aid is being drawn up to range anywhere within the figures believed likely to be available - 150 million to 200 million dollars. This is being drawn up for the immediate needs of Southern and Central Italy and making some allowance for the future requirements of Northern Italy. A preliminary detailed programme has already been sent to the C.C.S. through the hands of two of their visiting members on 21st October. All that remains is to secure official approval. Meanwhile some doubt, which I can hardly believe to be well based, has crept into the more sceptical minds in the Commission. It is suggested that the new sources (troop pay, remittances, etc) are to be in substitution not in addition to, the present expenditure for normal civilian needs; in other words, that these sources of income must be used not to introduce any form of rehabilitation of transport and power, but to provide the urgent necessities of life - food and clothing, which are at present carried on the military budget. Should this prove to be the case, the standard of life of the Italian people would fall to a figure which would be hardly possible to calculate. In any event, it is absolutely essential that the position should be cleared up.

III

CONCLUSIONS

It will be seen from the foregoing that the task of those who have to plan for the needs of the Italian people is a very one. It reminds one of those ingenious puzzles that torture young or old who fall beneath their spell, where it is necessary to enter four mercury balls in a small cardboard box to fall into their respective or appropriate holes. Two may easily be done at once, three often, but the whole four present a formidable test of patience and determination. In this case the four balls are availability of supply, finances, shipping and port acceptability. It has seldom been possible to obtain clearance on all these at once. Yet without some near miracle of concurrent agreement, reasonably planning for the future becomes impossible. Of course it may be urged that there is no reason to worry ourselves unduly about the unhappy position in which the Italians find themselves. Their disasters are their own fault. But this policy, harsh though it might be, would at least have been practicable had it not been for the recent declarations formally made on behalf of the two allied governments. To turn now from the path of generosity there marked out is unthinkable. In addition, this more lenient road seems to us greatly in the interests of the world in general. However may be the post-war policy towards Germany, we have accepted Italy into a position different from that of a beaten enemy; we have accepted Italy into a system, benefited by the doctrine of co-belligerency; and, from the larger aspect, prosperity like peace is indefeasible. The problems that face Italy are serious enough. When we reach the North we shall find large working class populations in Britain and America. It will test all our efforts to keep them quiet. They will be the first large urban populations in our own adjusted island and not upon the continent. To bring them food without railways or trucks will present a formidable problem to allied military government. At present, eleven although they may be of German occupation, the factories are running and the people are largely employed. When they are "liberated" the power will probably be destroyed, the factories largely dismantled, the machine tools wrecked or taken to Germany, and the raw materials not available. It will need all the patience, courage and devotion that British and American administrators can give if we are to preserve Italy and her 45 millions of people from collapse into despair, anarchy and revolution. To fail to make the effort because of our preoccupation against Italy, however justified, may be to have won the war and lost the peace.

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have been practically lost. It has been on behalf of the two allied governments. To turn now from the path of generosity there marked out is unthinkable. In addition, this new lull in mood seems to us greatly in the interests of the world in general. Whatever may be the post-war policy towards Germany, we have accepted Italy into a position different from that of a beaten enemy; we have invented and, to some extent, benefited by the doctrine of co-belligerency; and, from the larger aspect, prosperity like peace is indivisible. The problems that face Italy are serious enough. When we reach the North we shall find large working class populations in Turin and Milan. It will test all our efforts to keep them alive. They will be the first large urban populations in our care after the island and sea upon the seaboard. To bring them food without reliance on trucks will present a formidable problem to Allied Military Government. At present, slaves although they may be of German occupation, the factories are running and the people are largely employed. When they are "liberated" the power will probably be destroyed, the factories largely dismantled, the machine tools wrecked or taken to Germany, and the raw materials not available. It will need all the patience, courage and devotion that British and American administrators can give if we are to preserve Italy and her 45 millions of people from collapse into despair, anarchy and revolution. To fail to make the effort because of our preoccupation against Italy, however justified, may be to have won the war and lost the peace.

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APPENDIX A 1Political Section of the Allied Commission

Proposed Memorandum of Arrangements to be agreed between the United States Government and His Majesty's Government arising out of the establishment of American and British Embassies in Rome, and Italian Representatives in Washington and London.

I

The Political Section of the Allied Commission (formerly Allied Control Commission), which has hitherto consisted of two Joint Vice Presidents, one American and one British, will be abolished.

In its place, the United States and British Embassies have agreed to make available such facilities as the Commission may require.

The functions of the Advisory Council for Italy will of course remain as laid down in the Moscow Agreement.

II

In order to make this plan effective the following arrangements will be made:

(a) Frequent personal meetings between the Chief Commissioner, the United States Ambassador, and the British Ambassador will continue as heretofore.

(b) In addition, the United States and British Ambassadors will each nominate a senior member of their staff to give political advice to the Chief Commissioner and to the various sections of the Commission on day to day business as it arises. Suitable accommodation will be made available for them at the Offices of the Commission. They will each have an assistant and a small joint secretariat will be established in order to ensure the necessary co-ordination. All papers affecting political problems will be passed to them and their concurrence sought where necessary by the various sections. They will have the title of Political Adviser and be regarded as in every sense members of the Commission.

R.M.

18th November, 1944.APPENDIX A 11

The technical officers of the Embassies in Rome, that is, the Commercial Counsellor, the Labour Attaché and the Press Attaché, find themselves in a somewhat difficult position since many of the functions that they would normally perform are in fact carried out by the Allied Commission; and information which they would normally have to obtain from the Italian Government is only really obtainable from the Commission or some of the Sections of Allied Force Headquarters. On the analogy of the arrangements hitherto made for the Political side described in Appendix A 1 in my report, I would

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(1) Economic Section

I propose that the Economic Section (for which I have to find a suitable American and British head) should have attached to it as advisers the American and British Commercial Counsellors. They would not act in an executive capacity, but would be in a position not dissimilar from that of Directors on the Board of a Company. This would give Mr. McGowan a regularised position in the Commission, give him a room there, and allow him to see papers, etc. From my conversations with him, this is what he would like.

(2) Labour Attaché.

I would propose that Mr. Brynes become (as has already been suggested by 3046 Commission) head of the Labour Sub-Commission while retaining his position as

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British/....

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British Embassy. This proposal was generally agreed, but has now been turned down by London. I understand by the Ministry of Labour, while I quite appreciate the Minister's feeling that the Labour Attache has really important work to do and should be free to accomplish it, I think it should be put to the Minister of Labour that he would be able to do this much more effectively by taking on the additional functions of head of the Labour Sub-Commission than placed as he is now. As head of the Sub-Commission he will be able to have contacts both with the Government and with the Trades Union leaders and play the role which I think organized trade union basis. When the Commission withers away, he will continue in his post as Labour Attache with great experience behind him and with great influence. If he merely remains in a detached position he cannot achieve very much; and I am sure it would be to the interests of these purposes which the Minister of Labour has at heart if he were allowed to accept the post of head of the Labour Sub-Commission while of course retaining his position as Labour Attache to the Embassy.

(3) Press Attache.

I am proposing a reorganization of the Press work in Italian Government Italy and Allied Government Italy. At present P.W.B. is the integrated organ for propaganda under the direct control of A.P.H.Q. The Allied Commission also has a Public Relations Officer and the whole mechanism of propaganda. The relations between these two have never been very happy or a very clear line of demarcation drawn as to their functions. I should like them to be amalgamated as far as liberated Italy is concerned both Italian and A.M.G. territory) and operate directly under the Commission. P.W.B. should, I think, retain its functions in respect of Kennedys' Italy where propaganda is a direct instrument of military operations and directed not so much to the Italians as to the Germans. If this reorganization takes place, I suggest that the Press Officers of the Embassy should be brought in either into the structure of executive control or in an advisory capacity so as to make a proper coordination of effort. On the American side this would present no difficulties. C.W.I. officers would be made available to the Commission. In the case of the British side, a certain number of P.W.B. officers will have to be seconded to the Commission. I do not see what financial arrangements will have to be made. If they are army officers on the Mediterranean War Establishment no trouble arises; if they are not, some special arrangements will have to be made. It is clear also that the joint publicity operations of the Commission will be divided into (a) telling the Italians about the American and British war effort, and in particular the work of the Allied Commission; (b) telling foreign correspondents about the work of the Allied Commission. There will be some purely British and purely American propaganda which the British Press Attache and the American Press Attache will have to handle separately. Nevertheless, under the present physical conditions they could be wise to get as much as they can through the integrated machine, and if they are diplomatic and ingenious they should have no difficulty in this. At any rate this plan must assist and cannot injure the possibility of putting over British propaganda either jointly with the American or separately as our own effort.

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(5) Press Attache.

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These proposals have in view -

- (a) To prevent the growth of any divergence between the Allied Commission and A.E.H.Q. and the Embassy.
- (b) To utilize to the best advantage the very efficient technical officers which the Embassy can provide.
- (c) To give these officers an opportunity of acquiring experience and influence and thereby strengthen their position when the time comes for the Commission to end.

30th November, 1944.

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APPENDIX B 1

Civil Affairs Section's Appointments

LEGAL

First Presidents of Courts of Appeal
Councillors of Cassation and Appeal
Prosecutors General
Sostituti di Procuratori Generali
Presidenti di Tribunali
Procuratori del Re

Primo Pretori (of towns of pop. 50,000)

INTERIOR

Prefects
Vice Prefects
Vice Prefect Inspectors
Consiglieri Primo Grado
Consiglieri Secondo Grado
First Secretary to Prefect
Special Secretary
Director of Religious Affairs
Sindaci of comune of Town Clerk) pop. 15,000

PUBLIC SAFETY

Legion Commanders CC.RR.
Legion Commanders Guardia di Finanza
Questori Public Security Service
Regional Directors Prison Service
Commandants (and upwards) Fire Service

EDUCATION

Rectors
Professors (titular)
Presidi of Faculties
Academy Inspectors of schools (local and centralised)
Rector of Divisions in Ministry of Education
Provveditori
Presidi of Schools
Inspectors of Schools
University Lecturers

PUBLIC HEALTH

Chief Medical Officer at Ministry of Interior

APPENDIX B 11

Economic Section's Appointments

SUBJECT: Level at which Appointment of Italian Officials should be approved by Allied Commission.

FINANCE: All appointments down to the level of Grade 4., Commissari, Direttori Generali, Segretari Generali of banks; insurance companies and other financial institutions clothed with public interest. Other appointments which the Italian

PUBLIC SAFETY

Legion Commanders CC.BE
Legion Commanders Guardia di Finanza
Questori Public Security Service
Regional Directors Prison Service
Comandanti (and upwards) Fire Service

PUBLIC HEALTH

Chief Medical Officer at
Ministry of Interior

APPENDIX B II

Economic Section's Appointments

SUBJECT: - Level at which appointment of Italian Officials should be approved by Allied Commission.

FRANCE: All appointments down to the level of Grade 6., Comissari, Directori Generali, Segretaria Generale of banks; insurance companies and other finance institutions clothed with public interest. Other appointments which the Italian Government may believe to be of interest to the Commission.

PUBLIC WORKS AND UTILITIES: Appointments down to Grade 5 (Ispettore Generale del Genio Civile, Capo Compartimento etc.)

COMMERCE & INDUSTRY: Heads and Deputies of Direzioni Generali, titular and managing Directors of industrial or parasutural institutions. Vice Commissaries of important companies.

LABOUR: Commissioners of National Insurance Agencies and other national agencies formerly linked into the Fascist cooperative structures concerned with such labour matters as welfare, assistance, protection and safety of workers. Appointments to the position of Regional and Provincial Labour Director.

AGRICULTURE: Chiefs of Ministerial Bureaus such as Ispettore and Uffice, Comandanti Ufficiali of the rank of agricultural inspectors and Consorzi Agrario officials.

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TRANSPORTATION: Director of Mercantile Marine, Principal Inspector of the General Inspectorate of civil motorization and transportation concessions. Director General of the Italian State Railways.

SHIPPING: Commissioners of the four subsidized Italian steamship companies, "Italia", "Adriatica", "Savona" and "Genova", formerly "Lloyd Triestino".

FOOD: Directors Generali dell'Alimentazione and the Head of the Ufficio Nazionale dell'Approvvigionamento e Distribuzione Alimentare.

APPENDIX B 141

Italian Government's Proposed List

Ministri e Sottosegretari di Stato
Capo di Stato Maggiore Generale dell'Esercito
Capo di Stato Maggiore Marina
Capo di Stato Maggiore Aeronautica
Principali Rappresentanti Diplomatici
Alto Commissario per l'Educazione
Vice Alto Commissario per l'Educazione
Direttore Generale della Pubblica Sicurezza
Comandante Generale dei Carabinieri

Added Suggestions:-

High Commissioners for Sicily and Sardinia.

APPENDIX B 14

Ref: CC/2/134/000.1

10th March, 1944.

Recent events over certain appointments have shown that it is clearly desirable for us to have a mutually satisfactory arrangement to prevent misunderstandings and subsequent difficulties which it is in all our interests to avoid. I would suggest, therefore, that it should be agreed that you will let us know before any appointment to the Government is actually announced. Equally, I should be glad if you will express upon all the members of your Government that they should, in turn, consult the appropriate authorities in the Allied Control Commission before making any similar appointments in their own departments either at the seat of the Italian Government or in those provinces under Italian jurisdiction. As they already enjoy close and friendly relations with the Sub-Commission with whom they work, this should be as easy a matter to arrange. It is clear that each minister must be strictly accountable for all appointments in his department and the arrangement which I propose should be to their

Capo di Stato Maggiore Generale
Capo di Stato Maggiore Zappalato
Capo di Stato Maggiore Marina
Capo di Stato Maggiore Aviazione
Principali Rappresentanti Diplomatici
Alto Commissario per l'Egitto
Vice Alti Commissari per l'Egitto
Direttore Generale della Pubblica Sicurezza
Comandante Generale del Carabinieri

Added Suggestions:-

High Commissioners for Sicily and Sardinia.

APPENDIX B iv

10th March, 1944.

Ref: OO/2/134/000.1

Recent events over certain appointments have shown that it is clearly desirable for us to have a mutually satisfactory arrangement to prevent misunderstandings and subsequent difficulties which it is in all our interests to avoid. I would suggest, therefore, that it should be agreed that you will let us know before any appointment to the Government is actually announced. Squally, I should be glad if you will impress upon all the members of your Government that they should, in turn, consult the appropriate authorities in the Allied Control Commission before making any senior appointments in their own departments either at the seat of the Italian Government or in those provinces under Italian jurisdiction. As they already enjoy close and friendly relations with the Sub-Commission with whom they work, this should be an easy matter to arrange. It is clear that each minister must be strictly accountable for all appointments in his department and the arrangement which I propose should be to their interests in carrying out the work which we are doing together.

I should be glad if you will let us know whether you are in full agreement with the proposals made in this letter. If so, I will give the necessary instructions to the various heads of Sections and Sub-Commissions of the Allied Control Commission as soon as you confirm that members of your Government have been notified of our agreement.

M.E. Marshal Pietro Badoglio
Capo del Governo.

MOUL HUSAN MACEDONIAN,
Lieutenant General
Chief Commissioner.

-26-

Salerno, 13th March, 1944.

Dear General,

After having worked with me for quite some time, you know that it is my absolute decision to proceed in my matter in full accord with the Allied Control Commission over which you preside.

With regard to this, at next Thursday's Council of Ministers, I shall give definite orders to the effect that no government appointment be made without previous agreement with the Commission.

I hope that the same feelings prevail with the Control Commission toward us, so that it might be possible to come, in common agreement, to a revision of certain positions given to certain persons in the provinces recently turned over to the Italian Government, and which render nearly impossible a normal functioning of governments.

With cordial greetings,

/s/ RADOVILLO.

To General Noel Mason-Macfarlane,
Chief of the Allied Control Commission,
Naples.

APPENDIX C

LAC 763 of 19th October, 1944.

Reference: OAL 882, LAC 736.

Subject: Is Bread ration for Italy.

1. Recent public announcements, which have been given wide circulation in Italy by the press, are interpreted by me to mean that the policy is to provide a 500 gram bread ration immediately; this ration to be nation wide on liberation of the North.
2. Confirmation is requested that my understanding in paragraph 1 is correct and that you wish me to implement this policy.
3. This policy cannot be implemented without increased imports since the import program authorized for the months of November and December is below the monthly scale of imports indicated in paragraph 4 of my letter of 24th September. From a military standpoint the tranquillity of the Mediterranean theatre might be jeopardized if the 500 gram bread ration were not sanctioned.
4. If I am to establish a 500 gram bread ration, there are 2 alternatives:

1. To increase the level required to produce total imports

With cordial greetings,

/s/ R. DODDING.

To General Noel Mason Macpherson,
Chief of the Allied Control Commission,
Naples.

ATTACHMENT C

LAC 763 of 19th October, 1944.

Reference GCL 852, LAC 736.

Subject is Bread Ration for Italy.

1. Recent public announcements, which have been given wide circulation in Italy by the press, are interpreted by me to mean that the policy is to provide a 300 gram bread ration immediately; this ration to be ration wide on liberation of the North.
2. Confirmation is requested that my understanding in paragraph 1 is correct and that you wish me to implement this policy.
3. This policy cannot be implemented without increased imports since the import program authorized for the months of November and December is below the monthly scale of imports indicated in paragraph 4 of my letter of 24th September. From a military standpoint the tranquility of the Mediterranean Theatre might be jeopardized if the 300 gram bread ration were not sanctioned.

4. If I am to establish a 300 gram bread ration, there are 2 alternatives:

a. Step up monthly shipments to the level required to produce total imports of 1,500,000 tons during the harvest year. This would mean a monthly program based on all Italy estimated at 165,000 tons from January through June 1945, or beginning December if possible.

b. Use existing stocks, together with imports under the existing program. The effect of this plan would be to exhaust the assessed grain by 1st March assuming inland transport not a limiting factor. I can only undertake this procedure under an absolute guarantee that stocks so used will be replaced in full to verify continuation of the 300 gram ration until the next harvest season. Without such guarantee I can see nothing but trouble ahead.

5. I recommend the first alternative. However even if approved, I would be unable to sanction such a plan prior to the approval of a shipping program to meet it.

6. Your instructions are requested. In the meantime and in any event ACC will step up its efforts to realize maximum local production, particularly in products which may be substituted for wheat, and will continue to tighten up the administration of cereals wherever possible.

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APPENDIX DMay 210 of 1st November, 1944.

Civilian supplies for Italy is subject.

In view of the public statements of the President and the Prime Minister, I am proposing to take the following steps.

1. I am arranging for all current requisitions for basic civilian supplies to be revised on two assumptions:

First, that they will be provided and financed as heretofore;

Secondly, that they would be framed upon a more liberal interpretation of the "disarm and unarm" formula.

2. In addition and in conformity with the joint statement of 16th September and the President's statement of 10th October, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

3. I am assuming that the necessary finances for (1) will be provided so long as Italy is a theatre of or base for military operations and for a period of 6 months thereafter.

4. For planning purposes for (2) I am assuming an expenditure commensurate with the resources of new German outside military responsibility contained in the President's statement, to be spent over a period of 12 months.

I hope this will meet with your approval as I am convinced that this is the right course to pursue.

0849

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to draw up a program of industrial
soon as possible.

3. I am assuming that the necessary finance for (1) will be provided as long as Italy is a Theater of or Base for Military Operations and for a period of 6 months thereafter.

4. For planning purposes for (2) I am assuming an expenditure equivalent to that of the sources of new finance outside military responsibility mentioned in the President's statement, to be spent over a period of 20 months.

I am assuming that this in the

I hope this will meet with your approval as I am convinced that this is the right course to pursue.

0850

SUMMARY OF RECOMMENDATIONS, MADE IN THE NOTE
BY THE RESIDENT MINISTER, CENTRAL MEDITERRANEAN,
ENTITLED "ALLIED POLICY TOWARDS ITALY".

1. That the Political Section of the Allied Commission be abolished. (Page 3).
2. That the Allied Commission confirm to the Italian Government that they may have direct relations with foreign representatives accredited to the Quirinal. (Page 3).
3. That Italian representatives abroad be given their own offices. (Page 3).
4. That the Allied Commission surrender its control over Italian legislation in Italian territory. (Page 4).
5. That the right of approval by the Allied Commission of all Italian appointments in Italian Italy be surrendered except in regard to the appointments of Service Chiefs to include Chiefs of Staff and Commanders of formations re-equipped for active service in the field. (Page 4).
6. That local officers of the Allied Commission be withdrawn from Italian Government Italy. (Page 5).
7. That the functions of certain sub-commissions in respect of Italian Government Italy be absorbed by the Allied Commission. (Page 6).
8. That "demilitarization" is only possible at Headquarters, Allied Commission, and not in the field. (at Headquarters there are a number of limiting factors.) (Page 6).
9. That consumption goods and certain capital goods should continue to be imported by the War Department and the War Office for civilian needs in Italy and that these imports should be maintained as long as Italy is a theatre of bases for military operations and for a period of six months thereafter, and that the "dismantling and unrest" formula should be more liberally interpreted for these purposes. (Page 9).
10. That an additional programme for industrial first-aid be approved, to be financed, so far as the American side goes, from the sources of new finances mentioned in the President's statement of 10th October; His Majesty's Government.

3. That Italian representatives should be given their own systems. (Page 5).
4. That the Allied Commission surrender its control over Italian legislation in Italian territory. (Page 4).
5. That the rights of approval by the Allied Commission of all Italian appointments in Italian Italy be surrendered except in regard to the appointments of Service Chiefs to include Chiefs of Staff and Commanders of formations re-equipped for active service in the field. (Page 4).
6. That local officers of the Allied Commission be withdrawn from Italian Government Italy. (Page 5).
7. That the functions of certain sub-commissions in respect of Italian Government Italy be abandoned by the Allied Commission. (Page 6).
8. That "demilitarization" is only possible at Headquarters, Allied Commission, and not in the field. (At Headquarters there are a number of limiting factors.) (Page 6).
9. That consumption goods and certain capital goods should continue to be imported by the War Department and the War Office for civilian needs in Italy and that these imports should be maintained as long as Italy is a theatre of base for military operations and for a period of six months thereafter, and that the "disarm and disarm" formula should be more liberally interpreted for this purpose. (Page 9).
10. That an additional programme for industrial first-aid be approved, to be financed, so far as the American side goes, from the sources of raw finance mentioned in the President's statement of 10th October; His Majesty's Government to contribute a percentage of whatever sum may prove to be in the usual proportion. (Page 10).

27th NOVEMBER, 1944.

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