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NEW DIRECTIVE ON ALLIED COMMISSION

Feb. - July 1945

NEW DIRECTIVE ON ALLIED COMMISSION

Feb. - July 1945

Closed: Oct. 20, 1945

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HEAD QUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
APO 394

13242/F

18 July 1945

SUBJECT: Financial Directive for Italy.

MP

TO : Distribution below.

SNW

1. Herewith, for your information, is copy of letter 13242/F dated 13 July 1945 addressed to the President of the Council of Ministers.

2. This communication is based on FAN 583 of 3 July, 1945, which supplements the directive contained in FAN 487 of 13 January 1945.

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

Distribution:

Office of the Chief Commissioner (2)
Office of the Executive Commissioner (2)
A/V.P. Economic Section (10)
V.P. Civil Affairs Section (10)
V.P. Establishment Section (10)
Director, P.R.B.
Director, Communications Sub-Comm. (2 - one for CCG)
Director, War Materials Disposal & IPW Sub-Comm.
R.C. Emilia Region (20 of which 10 for RFO)
R.C. Piemonte Region (" " " " ")
R.C. Liguria Region (" " " " ")
R.C. Lombardia Region (23 " " 13 " ")
R.C. Venezia Region (27 " " 17 " ")
R.C. Venezia Giulia Region (16 " " 6 " ")
AEC Commissioner, Naples Commune } 7, of which 2 for
" " Livorno Zone } Finance Officer
" " Ancona Commune (5)

4327

HEADQUARTERS ALLIED COMMISSION

OFFICE OF THE ALLIED COMMISSIONER

230 394

13242/F

18 July 1945

My dear Mr. Prime Minister:

1. I write with reference to the Aide-Memoire of 24 February, 1945, which was communicated by the Acting President and the Chief Commissioner of the Allied Commission to the President of the Council of Ministers, outlining certain steps taken by the Allied Governments to hand over an increasing measure of control to Italian administration.
2. In order to implement further the declaration of 26 September, 1944, by the President of the United States and the Prime Minister of Great Britain regarding Italy, I am now directed by the Combined Chiefs of Staff to inform your Government that the intervention of the Allied Commission in Italian fiscal matters and other internal financial affairs will in future be confined to cases involving Allied military necessity. The Allied Commission will assist or advise your Government on financial matters in territory under your jurisdiction only when your Government specifically requests such advice or assistance, which will be given at a high level between the senior officers of this Commission and appropriate officials of your Government.

3. I am further directed by the Combined Chiefs of Staff to inform your Government that, subject to certain exceptions and conditions which are indicated below, it is no longer necessary to obtain the approval of the Allied Commission prior to the execution of Italian external financial transactions.

4. The exceptions to this general rule are as follows:

- (a) The Italian Government is requested to consult with the Allied Commission before authorizing the use of Italian external assets for the purpose of paying claims arising prior to 6 September, 1945. Thus all questions relating to the settlement of Italian clearing accounts should be discussed with this Commission before any action is taken.
- (b) The Italian Government is requested to direct its exchange control and other appropriate authorities to consult with the Allied Commission before authorizing any external financial transactions undertaken by Italian insurance companies or involving the foreign branches or subsidiaries of such companies.

5. The Combined Chiefs of Staff have stated that as a condition of the relaxation of Allied control over Italian external financial transactions, the Italian Government is required to keep the Allied Commission fully informed as to the status of Italian external assets and of Italian external financial transactions. It is therefore requested that your Government:

Commission to the President of the Council of Ministers, exercising control to the Allied Governments to hand over an increasing measure of control to Italian administration.

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4. The exceptions to this general rule are as follows:

(a) the Italian Government is requested to consult with the Allied Commission before authorizing the use of Italian external assets for the purpose of paying claims arising prior to 8 September, 1943. Thus all questions relating to the settlement of Italian clearing accounts should be discussed with this Commission before any action is taken.

(b) the Italian Government is requested to direct its exchange control and other appropriate authorities to consult with the Allied Commission before authorizing any external financial transactions undertaken by Italian insurance companies or involving the foreign branches or subsidiaries of such companies.

5. The Combined Chiefs of Staff have stated that as a condition of the relaxation of Allied control over Italian external financial transactions, the Italian Government is required to keep the Allied Commission fully informed as to the status of Italian external assets and of Italian external financial transactions. It is therefore requested that your Government:

(a) keep the Allied Commission fully advised as to the policies that may be adopted by the Italian Government, or any agency or committee thereof (including the Banca d'Italia, regarding the utilization and control of Italian external assets. You may find it desirable to consult with the Allied Commission before authorizing new policies or types of transactions. In order that no conditions may arise that might be prejudicial to the interests of the United Nations.

(b) submit fortnightly reports in triplicate to the Allied Commission listing all external financial transactions permitted or undertaken by the Italian Government during the period covered by the report, indicating the names of all parties to the transactions, a detailed statement of the nature and purpose of the transaction, the amount thereof, the currencies involved, the mode of exchange utilized, and any other relevant information.

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Declassified E.O. 12356 Section 3.3/NND No. 785016

- 2 -

6. In conjunction with the relaxation of control indicated in this letter, the Combined Chiefs of Staff have directed me to inform your Government that it will be expected to take the following steps:

(a) to establish and maintain an effective foreign exchange control agency

(b) to adopt measures in support of the economic warfare objectives of the Allied Governments.

The details of the economic warfare programme are to be communicated to your Government in the near future by the British and American Embassies in Rome, and it is expected that representatives of your Government will work with the two Embassies in the development and implementation of this programme. I am further directed to inform your Government that failure to take the steps specified in (a) and (b) of this paragraph within a reasonable period of time will result in the reimposition of prior control of Italian external transactions by the Allied Governments through the instrumentality of the Allied Commission. I should be grateful if you would keep me as closely informed as possible of your progress in the development of the programme requested by the Allied Governments.

7. I would also request that you give assurances that you assume responsibility for ensuring that remittance payments are not made to undesirable persons in Italy.

8. The Combined Chiefs of Staff have also instructed that remittances to Italy from neutral countries are to continue to be channelled through banks in the U.S. and U.K. until the measures in support of the economic warfare objectives of the Allied Governments are taken.

9. The Allied Commission has, as part of the general suspension outlined in the third paragraph of this letter, suspended the supervision and control of arrangements concluded by the Italian Government with Allied and neutral countries concerning the financing of foreign trade, except that your Government is required to ensure that the proceeds of export sales will be made available for the purpose of making essential payments arising from import needs of Italy, Italian diplomatic, consular, or military expenditure, maintenance of the Italian merchant marine, and similar expenditure.

10. Finally, I am directed to state that the relaxation of control of Italian external assets is not to be construed as affecting the rights of the Allied Governments under the Armistice Terms with respect to Italian foreign assets, nor to prejudice or affect the status of Italian property in Allied countries which has been subjected to exceptional measures, such as sequestration, vesting, and freezing.

11. Our supplementary financial directive from the Combined Chiefs of Staff deals with certain other matters relating to Allied Military Lend-Lease currency and other Allied financial operations in Italy. Clarification of certain points is awaited and I shall communicate with you further as soon as possible.

Yours very truly

/s/ Henry A. Stone
Rear Admiral, USN

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Yours very truly,

/s/ Henry J. Stone
Rear Admiral, USN
Chief Commissioner

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

Distribution:
Hon. Alexander Kirk, American Embassy, Rome
Sir Noel Charles, British Embassy, Rome
Executive Commissioner
Political Adviser (A)
Political Adviser (B)

Acting Vice President, Loan Section
C-5 Section (Financial Adv., etc.)

27 MAR 1945

27 MAR 1945

HEADQUARTERS ALLIED COMMISSION

APO 394

Office of the Executive Commissioner

Ref: 4001/163/EC

27 March 1945.

SUBJECT: Relations with Italian Government.

TO : VP, Economic Section (15)
 VP, Civil Affairs Section (10)
 Director, Communications Sub-Commission
 Director, War Material Disposal &
 Italian PW Sub-Commission

1. Vice Presidents will impress upon the Directors of their Sub-Commissions, and Directors of Independent Sub-Commissions upon their officers, the necessity of implementing the policy of the CCS directive defining the new relations of the Allied Commission with the Italian Government, especially with respect to the following paragraph:

"The Staff of Allied Commission Headquarters should occupy itself primarily with consultation and advice to the Italian Government at high levels."

2. Experience during the last six months has shown that whereas officers in the field have been careful to avoid executive action or speech with officials of the Provincial governments, there has been a tendency at HQ for officers in the Sub-Commissions to forget that the dropping of the "G" from A.G.C. was intended to convert the relations between the Allied Commission and the Italian Government to those of adviser (and provider of supplies) on the one hand and of a sovereign government on the other. I have heard reports of discussions and conferences which lead me to think that more forceful measures than advice have been used to persuade - if indeed not to compel - the Italian Government to accept the views of the Allied Commission and come into line. In some instances these measures have been taken by subordinate officers of Sub-Commissions speaking perhaps to subordinate officials of the Italian Government. But the effect has been the same - and is unfortunate. The Italians presume that every member of the Commission speaks with the authority of the Chief Commissioner and they suffer, in their estimation, from a multiplicity of masters, and the application of conflicting policies of "advice" and "control".

3. In future, therefore, Vice Presidents and Directors of Sub-Commissions will ensure that such formal advice as it may be necessary to convey to the Italian Government is given by Vice Presidents or their Deputies or by Directors of Sub-Commissions, to Ministers or Under-Secretaries. At lower levels officers should refrain from giving formal advice and should restrict their functions to verbal consultation and discussion, expressing informally and unofficially any advice which they may feel should be given and would have the complete approval of their Director or Vice President. Generally speaking, in all their dealings with members of the Italian Government on matters affecting Italian Governmental activities, officers must act with diplomacy and tact rather than as mentors or

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Copies to: Acting President
Political Advisers (2)
VP Establishment Section
Navy Sub-Commission
Land Forces Sub-Commission (MCLA)
Air Forces Sub-Commission
Public Relations Branch
Liaison Division.

ELERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Elery W. Stone

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HEADQUARTERS ALLIED COMMISSION

APO 394

Office of the Executive Commissioner
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Ref: 6501/EG.

Subject: Allied Commission Relations with
Representatives of United Nations.

21 March 1945.

To: V.P., Economic Section (10)
V.P., Civil Affairs Section (10)
Director, Navy Sub Commission
Director, Land Forces Sub Commission (MIA)
Director, Air Forces Sub Commission
Director, Communications Sub Commission
Director, War Materials Disposal & Italian PW Sub Commission.

1. With the abolition of the Political Section, the Italian Government has become responsible for conducting its own political relations with the United Nations as well as, of course, with the neutral powers which have never ceased to be represented diplomatically in Rome. This was not only the logical result of the disappearance of the machinery through which the Allied Commission acted in some degree as the mouthpiece of the Italian Government in its foreign relations but was also intended to be a further step forward in the establishment of normal conditions in the international sphere.

2. It presents few difficulties in the case of powers such as the United States and the Soviet Union which have already established full diplomatic relations, or the United Kingdom and France which are now in direct relations with the Italian Government. In the case, however, of countries of the United Nations which have no diplomatic relations with Italy and which have either only established Consulates-General, such as Belgium and Holland, or whose representation in Italy is limited to membership of the Advisory Council, such as Yugoslavia and Greece, the matter is not so simple.

3. While the intention is, so far as possible, to make the Italian Government on the one hand and the foreign powers concerned on the other hand stand on their own feet, there may be questions on which, owing to absence of diplomatic or direct relations or the lack of goodwill on the part of one of the parties, it is difficult to reach a settlement. In such cases it is suggested that the Allied Commission, as the agent of the powers which signed the Armistice on behalf of the United Nations, should not only keep itself informed of any negotiations which may present problems, but should also exercise its influence both on behalf of the foreign representatives concerned and on behalf of the Italian Government when difficulties arise between negotiators. Accordingly, Sub-Commissions should be prepared, as heretofore, to exercise their good offices in assisting diplomatic representatives of the United Nations Governments in their dealings with the Italian authorities, but only in the

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NORMAN E. FISKE,
Colonel,
Acting Executive Commissioner.

Copy to: Political Adviser (A)
Political Adviser (Br.)
PRO.
Liaison Division

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Patriots Branch
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HEADQUARTERS ALLIED COMMISSION
APO 394
Office of the Executive Commissioner

Tel: 478201

Ref: 216/85/EC

15 March 1945.

SUBJECT: Minutes of Acting President's Conference, 8-9 Mar 45.

TO : Distribution below.

7
Reference Minutes of Acting President's Conference held on 8-9 Mar 45,
the following amendments will be made:

Para 4: delete in first paragraph last four words, i.e.
"absorbed into Allied Commission" and substitute therefor:

✓ "returned to their organisations and subsequently employed
in military government duties when their services were
required and when they could be released".

Para 8: delete whole para and substitute therefor:

"Attachment of AMG Officers.

Colonel Fiske, VP Establishment Section, stated that the Commanding General FMS had suggested that AMG officers stationed at the Headquarters of Base Sections, Districts and Areas might profitably be attached to the staffs of these formations as G-5 Sections. AFHQ forwarded the suggestion with the comments of G-4 Section. After consideration the Commission replied to the effect that attachment did not appear practicable but that the closest possible cooperation with respective military formations was enjoined upon all AMG personnel."

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Shirley
Chief Staff Officer,
To Executive Commissioner.

: 4323

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SECRET

MINUTES OF

ACTING PRESIDENT'S CONFERENCE

held on 8-9 March 1945.

The Executive Commissioner presided.

216/EC

PART I

ACTION

1. Acting President's Opening Address.

The Right Hon. Mr. Harold Macmillan opened the meeting by welcoming all those present and expressed his regret at the absence of the Chief Commissioner owing to illness.

He said that the New Deal for Italy was not a new policy but merely a development of the policy which had been followed since the moment the Armistice was signed. Briefly this policy was to foster the development of Italian responsibility until the Italian Government was able fully to take over the government of the country itself. Recent developments were merely a logical conclusion to the policy adopted and followed since those early days.

Mr. Macmillan said that it was clear to him that there could be no possible distinction between the work of AMG and AG. There were differences in their functions but their work must be treated as a whole in order to make for effective planning and in order to obtain continuity from the first impact of AMG until the final taking over of the territory by the Italian Government. The functions of AMG were three-fold. Firstly, to take from the military the burden of civil administration; secondly, to assist so far as possible in the rehabilitation of the country and the suffering of the civilian population; and thirdly, to prepare the ground for the transfer of that territory to the Italian Government and the teaching of the Italians to take over this work themselves. These were very heavy tasks and he had every sympathy with those in the Regions who had to undertake them.

The Acting President then expressed his appreciation to those who had been working for the past months in Italian Government Territory. Theirs had been a difficult and delicate task, handling over the government to the Italians and at the same time well knowing that they could do the job much better themselves.

He then referred to those officers who had had the rather tiresome task of waiting to go into the Northern Regions. They had been engaged either in planning or on attachment to Regions already in operation. This delay in going forward was regrettable but was entirely due to operations.

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Mr. Macmillan went on to say that it was fashionable to believe that there was going to be a great deal of political trouble and even revolution in the North. However, he was of the opinion that we should find a great deal of invigorating and beneficial aspects of Italian life in that territory and that the people would be more active and powerful than any we had yet come across in Italy.

He stressed the importance of the great need for coordination between Regions, between Regions and HQ, and between Sections and Sub-Commissions. He was confident that the questions we had been studying would be successfully overcome and we could have confidence in the knowledge that we have so many officers going into the Northern Regions with experience in dealing with similar problems. Moreover, it was more than likely that the conditions of a slow retreat would not necessarily come about and that the destruction of the Italian

production potential would not be so serious as hitherto. He said that he thought that we should find better conditions than was at one time thought possible.

2. Withdrawal of officers from Italian Government Territory.

Brigadier M.S. Lush, Executive Commissioner, said that the Chief Commissioner had asked him to express his sincere regrets at being unable to attend the meeting and to extend to those present his gratitude for the abundant help and assistance given to him during the nine months he had been the Chief Commissioner. He also wished to extend a welcome to those who were present at a Regional Commissioners' Conference for the first time.

The Executive Commissioner then turned to the problem of the withdrawal of AC officers from Italian Government territory which was in implementation of the directive recently received from the Combined Chiefs of Staff. He said that there were two points which the Chief Commissioner wished to emphasize. One was that if we were to carry out the policy of the directive, it should be implemented to the maximum, and particularly the withdrawal of officers. Orders had therefore been issued that, subject to the approval of AFHQ, the withdrawal of officers would be carried out by 1 April to the maximum possible number. Unfortunately a cable had just been received from AFHQ saying that no withdrawal was to take place until the Staff Sections at AFHQ had considered the effect of the withdrawal on the military services.

The Executive Commissioner then went on to refer to a directive on the subject issued that day by HQ I.C. The Chief Commissioner wished it to be stressed that the total withdrawal of officers from Italian Government territory was a policy which he intended to fulfill so far as AFHQ would allow.

Executive Commissioner next referred to that part of the directive which related to the consultation by AC officers with Italian authorities. He said that such consultation would be restricted to discussions at a high level and Heads of Sections and Sub-Commissions should strictly adhere to this policy. Contact with the Italian Government should be preserved but only at the highest level.

Referring to the question of the distribution of AC officers, the Executive Commissioner said that he would only deal with this matter briefly as VP Establishment Section would deal with it in detail later. He said that the distribution of officers had been studied at great length, that emphasis had been given to the number required for Northern Regions not yet occupied, second priority being given to the Regions now under AG. It was necessary also to find over 200 officers for USTRI.

He stated that the policy for the North would be for a close follow-up of the Army spearheads by Provincial teams. It had been accepted by everyone concerned that the principle of a close and rapid follow-up of the Army AGs by provincial teams was the most efficient

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He stated that the policy for the North would be for a close follow-up of the Army spearheads by Provincial teams. It had been accepted by everyone concerned that the principle of a close and rapid follow-up of the Army AFs by provincial teams was the most efficient form of effecting the initial act of military government. A great deal of planning had been done for NW and NE Italy and, as had already been pointed out by the Acting President, it was probable that we should find circumstances very different from those we had envisaged, which brought out the necessity for elasticity in our planning.

He said that a forward static HQ of Allied Commission was not contemplated. He stressed the importance of coordination between Northern Regions themselves and between the Regions and HQ A.C. who must be kept fully informed. All Sub-Commission officers going to Regions would come under Regional control and Heads of Sub-Commissions should remember this when sending officers forward.

Finally, the Executive Commissioner said that the policy of AMHQ in NW Italy where the military problem might not be so important, was to give priority to the civil needs. In NW Italy, if military operations had to be undertaken, the civil requirements would of necessity have to take second priority.

3. Statement on Political Situation.

Mr. H. Hopkinson said that the British Prime Minister in his speech of 18 January 1945 foreshadowed an unhappy state of affairs when - probably at a time when the Northern Regions would be stripped bare of food by the retreating Germans - these elements would be thrown upon the "fragile structure of the Italian Government in Rome with consequences which could not be accurately foreseen and certainly not measured".

The experience of CAMBEC showed that the existence of organized groups of politically conscious patriots was a factor with which to reckon seriously. He suggested that during the last year forces had been coordinated in the North of Italy which after liberation would present a problem different from any which the Allied Commission had handled in the past in connection with patriots.

Intelligence reports from the North show that the various Committees of National Liberation and the military commands operating under the orders of the Committees did learn a good deal about the art of government in the year-long struggle against the Fascist and the Germans. In many districts "shadow" Governments had been set up and the various portfolios had been distributed amongst the leaders of the different parties. In most cases the Committees represented the six parties which, up till last December, were represented in the Government in Rome. In some of the Committees however the action party was not represented and in others the Republican party formed part of the Committee. On the whole it seemed that for the time being there was a remarkable degree of unity of purpose in the Committees and party differences had been sunk in the common desire to chase the Germans from Italy and punish their Fascist collaborators. These Committees were associated in their operations by the Allied authorities and the giving of such assistance had necessarily implied recognition of the value of these operations. Arrangements had been made between the Supreme Allied Commander and the CLMHI defining the extent to which the Allied military authorities were prepared to recognise the Committees.

Under these arrangements when the enemy withdrew from territory occupied by them the CLMHI would endeavour to maintain law and order and to continue the safeguarding of the economic resources of the country until such time as Allied Military Government was established. Immediately upon the establishment of Allied Military Government, the CLMHI would recognise Allied Military Government and would hand over to that Government all authority and powers of local government and administration previously assumed. As the enemy withdrew all components of the General Command of the Volunteers of Liberty in liberated territory would come under the direct command of the Commander-in-Chief, 15th Allied Command.

known upon the "fragile situation" with consequences which could not be accurately foreseen and certainly not measured".

The experience of COMECC showed that the existence of organized groups of politically conscious patriots was a factor with which to reckon seriously. He suggested that during the last year forces had been coordinated in the North of Italy which after liberation would present a problem different from any which the Allied Commission had handled in the past in connection with patriots.

Intelligence reports from the North show that the various Committees of National Liberation and the military commands operating under the orders of the Committees had learnt a good deal about the art of government in the year-long struggle against the Fascist and the Germans. In many districts "shadow" Government's had been set up and the various portfolios had been distributed amongst the leaders of the different parties. In most cases the Committees represented the six parties which, up till last December, were represented in the Government in Rome. In some of the Committees however the action party was not represented and in others the Republican party formed part of the Committee. On the whole it seemed that for the time being there was a remarkable degree of unity of purpose in the Committees and party differences had been sunk in the common desire to chase the Germans from Italy and punish their Fascist collaborators. These Committees were assisted in their operations by the Allied authorities and the giving of such assistance had necessarily implied recognition of the value of these operations. Arrangements had been made between the Supreme Allied Commander and the CLNAI defining the extent to which the Allied military authorities were prepared to recognise the Committees.

Under these arrangements when the enemy withdrew from territory occupied by them the CLNAI would endeavour to maintain law and order and to continue the safeguarding of the economic resources of the country until such time as Allied Military Government was established. Immediately upon the establishment of Allied Military Government, the CLNAI would recognise Allied Military Government and would hand over to that Government all authority and powers of local government and administration previously assumed. As the enemy withdrew all components of the General Command of the Volunteers or liberty in liberated territory would come under the direct command of the Commander-in-Chief, 15th Army Group, acting under the authority of the Supreme Allied Commander and would obey any order issued by him or by Allied Military Government issued on his behalf, including orders to disarm and surrender their arms when required to do so.

The attitude of the Allied military authorities was ~~fixed~~ ^{made} quite clear. But there were other considerations which should be borne in mind when we came to implement the policy indicated in the above arrangements. It was in the interest of the Allies that there should be stable Government in Italy and it was our policy to strengthen the legitimate Italian Government in every way possible and to prevent developments which would result in political disturbances throughout the country. The Italian Government in Rome, which it was our policy to support, might not have the entire confidence of the Committees of

Liberation in the North, or at any rate their influence there was subject to fluctuation. To begin with, the traditional scorn of the North Italian for the Southerner. There was the feeling that the population in the North had contributed more generously to the defeat of the Germans than the South had been able to do and had suffered far more heavily at their hands. There was criticism of the slow progress made by the Roman Government in the reconstruction of the country, in the solution of the pressing economic problems of food supply and inflation and above all in the punishment of former Fascists. The Italian Government was well aware of this antipathy and in an agreement signed at the time the arrangements previously mentioned were made, they go much further than the Supreme Allied Commander in recognizing the CMLL as their representatives in the struggle in the North. They have succeeded by this agreement in exacting a certain measure of recognition of their own legitimacy by the Committees in the North but the possibility cannot be overlooked that the Committees of Liberation or the component political parties would not abide by this agreement if circumstances seemed favourable for a political upheaval, which would either bring the Committees out as the Government of Italy or would wrest from the Government in Rome a measure of autonomy which might be in effect complete independence from Rome. The Italian Government was therefore anxious to establish as much contact as possible with the Committees in the North in order to be able to explain to them what was being accomplished in liberated Italy and what the Government proposed to do in the North when the Germans have been driven out. The Allied Governments were generally in favour of the establishment of such contacts and hoped that after liberation the Rome Government would be able to absorb representatives from the North and thereby become representative and therefore stronger.

The problem facing the Allied Commission therefore was as follows: we must endeavour on the liberation of the North to reconcile the needs of Military Government with the aspirations of the political leaders of the Committees of Liberation to self-government. At the same time, we must bolster the authority of the Italian Government in Rome in order that it may be able to administer the Northern territories once Allied Military Government was withdrawn. The solution of this problem might well be found to lie in the absorption at a very early date of members of the local Committees of National Liberation into the civil administration operating under Allied Military Government. If Regional Commissioners arrived in the North and bluntly informed the Committees of National Liberation that their task was accomplished and that they might now disperse and if, after that, Prefects, Sindaci and other administrative officers were imported from the South or even from other localities in the North, the disappointment, the antagonism even, of the Committees of Liberation would be great. The danger of setting up local administrations composed of Italians who would not be acceptable to the patriot organizations who had been struggling against the Germans for so long could not be over emphasized. It was not implied that every local Committee of National Liberation should automatically be confirmed as the local administration, but it was urged that Regional Commissioners should, whenever possible, decide to make appointments in favour of the members of the Committees rather than in favour of strangers

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ACTION

Mr. Hopkinson realized that the lack of precise information about personalities in the North due to the clandestine nature of their activities in recent months would make it difficult for Regional Commissioners to assess the relative claims of members of the Committees of Liberation to participate in local government. But in order in some measure to offset this disability, he hoped to be able to compile in the next few weeks a sort of "who's who" which might prove useful to Regional Commissioners in the task of selection.

In a discussion which followed Brigadier Upton, VP Civil Affairs Section, said a letter had been received from the Prime Minister which suggested an opposite view to the account given by Mr. Hopkinson. The letter suggested that certain named Prefects be put forward for appointment in the North. He thought this was a dangerous policy.

Col. Poletti, R.O. LAZIO-JUMERIA Region, considered that men coming up to fill appointments in the North would cause resentment and trouble in the local administrations. AMI must be absolutely free to decide appointments on the spot. Brig. Dunlop, R.O. SOUTHERN Region, said Bonomi wanted to appoint career men as Prefects. The CLN should be asked for names.

The Executive Commissioner said that in making the initial appointments in AMI territory AMI officers should be bound by the policy enunciated by Mr. Hopkinson: the decision of the Italian Government to send to the North men of administrative experience and known to the Government, was natural and we could and probably would fall back on some of the men so selected. But we could not accept the principle of naming the Prefects before liberation. He also emphasized the necessity of Army AMIs consulting Provincial and Regional Commissioners when making appointments in local government.

4. Personnel and Transport.

Personnel.

The Deputy Executive Commissioner, Col. Fiske, referred to memorandum, 7002/98/EC of 7 March, which was issued to the meeting. We now had approximately 900 British and 700 American officers which included 200 British officers for AUSAIA. It was recently decided that Allied Commission would furnish 168 American officers for the same purpose. As a result American officers had been reduced to 532. Taking the foregoing figures as a basis, an allocation of officers in Regions had been drawn up. We should have the services of the officers earmarked for AUSAIA until such time as they were needed. We would get approximately 60 additional American officers from combat and military formations and these officers were being trained and made available for military government. A training school would commence next week, taking 25 officers at a time and on completion of their training all these officers would be ~~absorbed into Allied Commission~~ *returned to their organizations subsequently employed in military government duties when their services were required when they should be transported, released*

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The Deputy Executive Commissioner stated that our W.D. transport was below establishment. Our T/O had been increased by 750 but this meant increasing the number of requisitioned vehicles and we were endeavouring to obtain restoration of authority for hiring which would be a satisfactory solution to the problem. Vehicles from the 5320 were being serviced and re-allocated to Northern Regions according to their needs.

Brig. Graffey-Smith, Chief Financial Adviser, said there was no financial obstacle to the Commission hiring vehicles.

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The Executive Commission's summary up stated that if officers for AUSPILA had to be released before we went into the North officers for the central Regions would be found from Sections and Sub-Commissions at HQ. A further pruning of HQ was necessary. As to the transport problem, we were endeavouring to obtain renewal of powers of requisitioning if only for an initial period of 60 to 90 days.

PART IIIRegions5. (a) Assignment of Officers.

Col. Roman, R.C. EMILIA Region, and Regional Commissioners of Northern Regions raised points concerning assignment of officers. After some discussion Executive Commissioner said that a period would be set aside later for a discussion between Regional Commissioners, S.C.O.'s and Establishment Section to discuss in detail.

(b) Policy on Implementation of Italian Government's Decrees in N. Italy.

R.C. EMILIA Region, raised the question of the implementation of Italian Government decrees in N. Italy. Executive Commissioner stated that Heads of Sections advised the Chief Commissioner as to whether decrees should apply to N. Italy territory or not; this was a policy decision made by HQ.

VP Civil Affairs Section pointed out there was nothing automatic about implementation of this policy with respect to any particular decree. It was not feasible to have a decree implemented in one Region and not in another. If there was doubt about any decree, it need not be implemented until after consultation. The procedure for implementing decrees in FIFTH and EIGHTH Army was compared and it was agreed that the method adopted by FIFTH Army was preferable and would be adopted by EIGHTH Army.

C.A. Sec
and Eighth
Army

(c) Disposition of Truck Pools.

Brig. Burley, R.C. SOUTHERN Region, stated there were 366 trucks in the South organised into four transport pools under Allied officers and asked that these trucks be transferred to the Italians as soon as possible. Executive Commissioner said that everything possible would be done to obtain a decision on this from AFHQ before 1 April 1945.

Exec. Sec
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(d) Turnover of Food Distribution to Italian Agencies.

Col. Kirkwood, R.C. TOSCANA Region, referred to the intention to hand over food warehouses to Italian control. He did not like accounting for the distribution in his Region under these conditions.

Regions5. (c) Assignment of Officers.

Col. Bowman, R.C. Emilia Region, and Regional Commissioners of Northern Regions raised points concerning assignment of officers. After some discussion Executive Commissioner said that a period would be set aside later for a discussion between Regional Commissioners, SCAO's and Establishment Section to discuss in detail.

(c) Policy on Implementation of Italian Government's Decrees in N. Italy.

R.C. Emilia Region, raised the question of the implementation of Italian Government decrees in all territories. Executive Commissioner stated that Heads of Sections advised the Chief Commissioner as to whether decrees should apply to all territory or not; this was a policy decision made by HQ.

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C.I. Sec
All Eighth
Army

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Brig. Durlon, R.C. Southern Region, stated there were 366 trucks in the South organized into four transport pools under Allied officers and asked that these trucks be transferred to the Italians as soon as possible. Executive Commissioner said that everything possible would be done to obtain a decision on this from ARMA before 1 April 1945.

Exec Sec
Tr S/C

(d) Turnover of Food Distribution to Italian Agencies.

Col. Kirkwood, R.C. TOSCANA Region, referred to the intention to hand over food warehouses to Italian control. He did not like accepting responsibility for food distribution in his Region under these conditions. He considered this should not be put into effect until the Italians had had proper instruction in our methods. Food Sub-Commission, Transportation Sub-Commission and the Regions were all concerned in such a hand-over.

Executive Commissioner said that before action was taken a survey should be made by the Regions. He warned Regions that in any question of handing over it was the responsibility of the R.C. to ensure that proper distribution of food etc would be arranged etc. On the other hand R.C. must be fully consulted by HQ R.C. before any handover arrangements were made by it.

Exec Sec
Tr S/C
Food S/C
All R.C's

ACTION

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(c) Pay of State and Parastatal Employees.

Col. French, R.C. ABRUZZI-MARCHE Region, stated that the salaries of State employees were not sufficient for existence. He cited several examples of the difference between salaries and cost of living which left the worker heavily in debt. In the Abruzzi State employees did not get the bonuses which were allowed in the territory. Many deputations had asked for help. He asked if it was not possible to raise salaries in the territory.

Mr. Braine, Labour Sub-Commission, said that the Government had recently concluded an agreement providing for substantial increases for State employees, which would apply throughout the country, including the North after liberation. The new agreement would consolidate the bonuses and indemnities hitherto granted for special reasons and in certain localities.

Toscana Reg
Labour S/C
All RO's

(f) Allowances and rations for civil employees.

The question of inadequate allowances and rations for civilians, both driven away from HQ overnight and clerks who lived away from their homes, was raised.

All Regs.
Estab Sec
HQ Comdt
AC.

VP Establishment Section referred to the Routine Order 252 of 1944 and read this to the meeting. A recommendation had been made that all civilians be placed on the same basis. Allowances of 135 - 250 lire per day, based on wage rates, had been proposed.

(g) Transport for Civil Supply.

R.C. TOSCANA Region, said that when armies went forward they took General Transport Coys with them and regions were left with insufficient transport. Transportation Sub-Commission said it was now arranged that ENIC would take over. Executive Commissioner directed R.C. Toscana Region to put up a case, setting out deficiencies in vehicles and date on which they were required to be made up. It was appreciated that some Regions had a greater efficiency of transport than others.

Toscana
Reg.
Tn S/C

(h) Translators.

It was agreed that the present system regarding translation of documents should continue.

(i) Provision of Supplies for Regions.

R.C. TOSCANA Region alleged there was lack of coordination between Sub-Commissions and cited the factories of sulphur and copper sulphate. The transaction involved Industry, Transportation and Agriculture Sub-Commissions. Executive Commissioner stated that responsibility in a case of this sort was the Executive Commission and R.C. should apply to the Section whose duty it was to coordinate.

Toscana Reg
Labour Sec
Industry S/C
Tn S/C

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Tn S/C

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Toscana Reg
Econ Sec
Industry S/C
Tn S/C
Agric S/C

(j) Titles of Regional and Provincial Commissioners.

R.C. TOSCANA Region put forward the suggestion that Regional Commissioners and Provincial Commissioners be designated Regional and Provincial Governors. R.C. LIGURIA Region considered it was too late to make an alteration but suggested that the Executive Officer should be called Deputy Regional Commissioner.

Office of
E.C.

It was agreed that the use of "Governor" was not desirable but Executive Commissioner would submit suggestion of "Deputy Regional Governor" to the Chief Commissioner.

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PART III

HQ AC Sections

ACTION.

6. (a) Economic Section.

(i) 300 gram ration and price of bread and pasta.

C-1. Legg, Food Sub-Commission, reported that an Administrative Memorandum had been prepared setting out the basic formula on which the economic price of bread had been established. The 300 gram ration became effective throughout all Italian Government territory on 1 March and in AMG territory on 12 March. It comprised 200 grams bread and 80 grams pasta per daem issued weekly or bi-monthly. All cereals to be milled for human consumption would be controlled by the Consorzio Agrario through the medium of the local Consorzio. All expenses relative to the milling, transportation etc. of the grain would be borne by the Consorzio. The price for milling had been established at between 60-70 lire per quintal. The price of flour ex-mill was 1396.50 lire per quintal. In AMG territory the Provincial Commissioner would approve the price of bread as submitted to him by the Consorzio. The Administrative Memorandum referred to would be sent out that day.

Econ Sec
Food S/C

It was stated that the price would vary with local economic conditions, in LECCE the economic price found its level at 15.5 lire per kilo, BARI 16.5, NAPLES 17.00. There would be price fixing committees in Provinces which would arrive at the cost of transport etc.

Chief Financial Adviser asked Regional Commissioners if the Government bonus of about 95 lire was sufficient to fix the cost at 16 lire per kilo. He thought the price would go up to 18.00. Brig. Dunlop said it would take some little time before they could work out the costs.

Col. Legg said that the 'impact' ration in Northern Provinces would depend on the transportation available to move forward the stockpiles. It was hoped to establish an 'impact' ration of 100 grams from imported supplies plus whatever supplies were found on the ground, and to establish a 200 gram ration in LIGURIA. Also to strike a medium between the lowest and highest price of bread not higher than 18. Regional Commissioners should establish a price for bread immediately on entering the North and for their guidance further study would be given to the subject.

It was thought that the reaction of the population to an immediate rise in price, even to 16 lire per kilo would be severe. A/VP Economic Section asked if we could subsidize the price from AMG funds. Chief Financial Adviser

Econ Sec
Food S/C

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It was thought that the reaction of the population to an immediate rise in price, even to 16 lire per kilo would be severe. A/VP Economic Section asked if we could subsidise the price from AMG funds. Chief Financial Adviser said he was very much against this. Col. Legg said that the 'impact' ration would be made from imported white flour whereas the local flour was of very poor quality and this might help matters. It was decided that Economic Section would hold a separate meeting to discuss the price of cereals and bread.

(ii) Granai del Popolo for 1945.

Director, Agriculture Sub-Commission, said the Italian Government was still considering two plans for 1945 collection.

ACTION.

- 9 -

The first was for full amassing as for last year. The alternative was partial amassing which would consist of setting an amassing figure of so many quintals per hectare according to the Province.

After views had been expressed by Regional Commissioners the Executive Commissioner announced that this would be discussed at the Economic Section meeting. See 6(a)(1) above.

Econ Sec
Agrie S/C
Food S/C

(iii) Inter-provincial movement of foodstuffs.

Col. Legg, Food Sub-Commission, said this question was raised because in recent months there has been a growing tendency for some Provinces to export foodstuffs to other areas on a barter basis. The practice was contrary to established policy for inter-provincial movement of goods and adversely affected urban and populous centres. It was harmful to the national economy and should be abolished. A new directive on inter-regional trade had been prepared and would be issued forthwith.

All
Regions

Executive Commissioner said the intention was to raise provincial availabilities to a regional level and from a regional to a national level and Regional Commissioners must work to this end.

(iv) Derquisitioning procedure of industrial plants and prevention of their requisitioning.

Lt.Col. Maskrey, ~~Director~~ Industry Sub-Commission, spoke of the heavy requisitioning of industrial plants by the military authorities. It was not coordinated and whilst it was appreciated that billets etc. were necessary much waste occurred. AFHQ had just issued an Admin Memo on the subject. Requisitioning of this kind would be investigated on the spot by AC/AG and the military authorities and if no agreement could be reached the matter would be referred to the Industrial Coordination Committee.

AG 5 and
6 Armies
All
Regions
Econ Sec
Industry
S/C

Executive Commissioner said AFHQ recognised priority of civil needs in certain circumstances but cases submitted by Regional Commissioners for consideration must be properly and fully presented. AG Armies should keep Regional Commissioners and HQ AG informed of any negotiation in this respect.

Lt.Col. Maskrey undertook to send to AG Armies a list of important industrial premises in the North classified in order of priority.

(111) - Inter-provincial

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AMG 5 and
8 Armies
All Regions
Econ Sec
Industry
S/C

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Lt.Col. Maskrey undertook to send to AMG Armies a list of important industrial premises in the North classified in order of priority.

(v) Payment for goods and services requisitioned by Allied Forces including AC/AMG.

Brig. Graffey-Smith referred to two orders issued by AFHQ, neither of which had proved clear or effective. A large number of unpaid requisitions had accumulated, particularly on the American side, although a recent order issued by AFHQ allowed for a much more liberal policy of payment. AFHQ proposed that the Army should continue to pay for what it wished to be maintained in continuous production and that AMG should pay, out of its own funds, for requisitions required to maintain local economy.

4318

ACTION.

Col. Poletti asked what was the position regarding the requisitioning of living premises as hardship was being caused by non-payment. Word would be passed around in the North that the Allies were not paying for requisitions and we should probably find it difficult to satisfy our requirements.

Econ Sec
Finance S/C

Executive Commissioner ruled that Economic Section would consider the matter and submit a letter to AFHQ for the Chief Commissioner's signature.

(vi) Taxation and financial stabilization plans of the Italian Government.

Commander Lawler said there were 12 points on which the Italian Government was working in an effort to stabilize the financial position of the country. He explained each point at length and stated that in addition the Italian Government was taking certain other steps to stabilize its financial position, including two bond issues. The Government had appointed a Commission to consider the subject and it was hoped that within a few weeks sufficient progress would be made for the Government to formulate its ideas.

All
Regions

Executive Commissioner said Regional Commissioners must watch carefully the local interpretations of the measures when enacted.

(vii) Method of bidding for Schooner Traffic.

Col. Thomas, Transportation Sub-Commission, said that a draft memorandum on this subject was now in preparation in conjunction with AFHQ and MEDBO, and it was hoped that it would be ready for issue this week.

All
Regions
Econ Sec
Tn S/C

Replying to a question, Col. Thomas said that he did not think there would be any increase in tonnage but it would ensure that the right tonnage was carried in the schooners.

After he had explained briefly the procedure Executive Commissioner commented that the chief fault in the past had been that there was insufficient elasticity.

Brig. Dunlop made the point that a number of schooners had probably been driven northwards and he might want to use them quickly when we arrived there. He instanced the delays and disappointments occasioned by schooner control in the past. It was thought that some interim expedient could be adopted in the early stages.

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Commander Lawler said there were 12 points on which the Italian Government was working in an effort to stabilize the financial position of the country. He explained each point at length and stated that in addition the Italian Government was taking certain other steps to stabilize its financial position, including two bond issues. The Government had appointed a Commission to consider the subject and it was hoped that within a few weeks sufficient progress would be made for the Government to formulate its ideas.

All
Regions

Executive Commissioner said Regional Commissioners must watch carefully the local interpretations of the measures when enacted.

(vii) Method of bidding for Schooner Traffic.

Col. Thomas, Transportation Sub-Commission, said that a draft memorandum on this subject was now in preparation in conjunction with AFHQ and MEDBO, and it was hoped that it would be ready for issue this week.

All
Regions
Econ Sec
Tn S/C

Replying to a question, Col. Thomas said that he did not think there would be any increase in tonnage but it would ensure that the right tonnage was carried in the schooners.

After he had explained briefly the procedure Executive Commissioner commented that the chief fault in the past had been that there was insufficient elasticity.

Brig. Dunlop made the point that a number of schooners had probably been driven northwards and he might want to use them quickly when we arrived there. He instanced the delays and disappointments occasioned by schooner control in the past. It was thought that some interim expedient could be adopted in the early stages.

Executive Commissioner stated that the whole question of schooner traffic would be taken up with G-in-C Med.

(viii) Definition of the tasks of the Regional Food Officer.

Col. Legg, Food Sub-Commission, said the Regional Food Officer had often been made responsible to the Regional Commissioner for the whole of Economics and Supply of a Region and it was considered that the responsibilities of Economics and Supply should be divided between the various specialist officers of the Region. The food problem in the North would be of such proportions that the undivided attention of the Regional Food Officer would be required.

ACTION.

All Regions
Econ Sec
Food S/C

- 11 -

Regional Commissioners were of opinion that the Regional Food Officer was over-burdened but it was agreed that economic activities must be coordinated in Regions by one officer.

Executive Commissioner ruled that Regional economic activities would be coordinated by an officer, preferably other than the Regional Food Officer, appointed by the Regional Commissioner. The Regional Executive Officer was considered to be most suitable for the purpose.

(11.) Labour Policy in AMG Territory.

Mr. Braine, Director, Labour Sub-Commission stated that the labour policy in AMG territory was to ensure that re-adjustment of wages and working conditions was carried out in an orderly manner to avoid industrial unrest, to ensure proper employment on work of reconstruction in industry, essential services and relief schemes, and to coordinate in the administration of public assistance and welfare. In the solution of labour problems in ITALY Labour Offices were used to a considerable extent and the Employers Associations had agreed with the Italian Government and Allied Commission to cooperate in their operation. Positive action would have to be taken to avoid industrial unrest in the North and to see that negotiations were commenced in an orderly fashion. AMG should encourage representatives from CGIL, Workers Associations and Employers Associations.

Piemonte,
Liguria,
Lombardia,
Venetia,
Regions.
Econ Sec
Legal S/C
Labour S/C

It was thought that for some time after liberation there would be a sufficient margin to provide for an upward trend of wages to meet rising prices and yet keep within the limits existing here. The policy of workers organisations and CGIL was to provide a new basic wage structure with local and independent variations according to length of service, proficiency, etc., coupled with sliding scale cost of living bonuses. When that was worked out the problem of individual bonuses and indemnities would disappear.

Employees of the Armed Forces would come under the Army rules and conditions, whose policy was to set up a wage scale a little in advance of wages paid in private industry.

Executive Commissioner said it was essential to have coordination between Regional Commissioners in the North on labour matters. On the question of implementation of decrees he directed that Labour and Legal Sub-Commissions should consult together.

The Meeting adjourned at 1800 hrs until the following day.

Piemonte,
Liguria,
Lombardia,
Venezia,
Regions.
Secy Sec
Legal S/C
Labour S/C

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The Meeting adjourned at 1800 hrs until the following day.

The Meeting resumed at 0900 hrs, 9 March 1945.

Withdrawal from the South.

Before proceeding with the Agenda the Executive Commissioner said he wished to emphasize that it was hoped to withdraw all but a few technical officers from the South by 1 April. Regional Commissioners were to plan but must not take other action until permission of AFHQ had been received.

ACTION.

- 12 -

Regional Commissioners expressed their anxiety should there be any postponement of the date, fearing the reaction on public opinion.

Olive Oil - Annasaini.

It was stated that 32,000 tons had been collected to date with an average rate of collection of 5,000 tons weekly. Compared with the 50,000 tons aimed at, returns were therefore slow.

Est Sec
Econ Sec
Agric S/C

Executive Commissioner said it was not proposed to jeopardise the feeding of the country by prematurely ending the massing campaign and AC officers engaged in this work would not be withdrawn from the South before 1 April, unless operations demanded earlier withdrawal.

6. (b) Civil Affairs Section.

(i) Holding of local elections in AMG territory.

Brig. Upjohn, VP Civil Affairs Section, stated that Combined Chiefs of Staff had directed that holding of local elections be encouraged in territory returned to the Italian Government. Was it desirable to implement the decree in AMG territory and hold local elections there? Some considerations to be borne in mind were the possibilities of strife and disorder, difficulties of transportation to the polling stations, etc. He considered that it would be desirable to hold elections in AMG (not Army) territory as it would increase the prestige of Allied Commission and might be invaluable in the industrial North to announce that elections would be held.

CA Sec
Local
Govt S/C

Deputy Director, Local Government Sub-Commission, then explained the system of Italian local government, the procedures for compiling electoral lists, and the holding of elections, from which it appeared that by law it would be at least four months after implementation before elections could be held.

It was agreed therefore that the work of compiling electoral lists could be put in hand as soon after occupation as convenient and that the holding of elections would be considered at a later date.

(4i) Relationship of Displaced Persons & Repatriation Sub-Commission to Regions.

The consensus of opinion was that the Sub-Commission staff in the field should be responsible to the Regional Commissioner in whose area they were working, thus bringing the Sub-Commission on to the same basis as other Sub-

CA Sec
D.P.A.

Executive Commissioner said it was not proposed to jeopardise the feeding of the country by prematurely ending the crossing campaign and AG officers engaged in this work would not be withdrawn from the South before 1 April, unless operations demanded earlier withdrawal.

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Local
Govt S/C

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The consensus of opinion was that the Sub-Commission staff in the field should be responsible to the Regional Commissioner in whose area they were working, thus bringing the Sub-Commission on to the same basis as other Sub-Commissions.

CA Sec
DP &
R S/C

Executive Commissioner ruled that this change would be gradual but would be completed by the time the North was occupied.

ACTION.

- 13 -

(a) Public Relations Branch.

Development of AC Public Relations in the Field.

PRO said that most criticism arose from lack of proper understanding and appreciation of the Commission's functions. This could be countered by furnishing positive information, but Public Relations staff was limited and he had to rely on reports from Regional Commissioners for facts.

Executive Commissioner stressed the news value, from the Commission's point of view, of those areas which had been liberated for some time where the results of rehabilitation work could be observed.

PR Branch

Arising out of this there was discussion on the activities of PWB. It was felt that Regional Commissioners should know what policy and propaganda was being put out in their Regions.

The Acting President, summarising, said that when the Armies were moving forward PWB was paramount in its own sphere but in the event of a surrender or collapse in the North it should cease its activities or they should be transferred to AC guidance. He directed that the PRO should work out a standing arrangement with PWB which could be referred to AFHQ.

7. Monthly Reports.

Executive Commissioner said that abridged monthly reports of Regions and Sub-Commissions were not of a very high standard. It was required to give a concise general picture of the work and achievements of AC over a period of one month for LONDON and WASHINGTON.

Full length reports should not be more than ten pages in length.

8. Attachment of AMG Officers.

Col. Fiske, VP Establishment Section, stated *See F8 for amendment* that an application had been received from AFHQ that AMG officers stationed in Base Sections should be attached to G-5 Section. A reply had been sent that AMG officers would remain under the control of Allied Commission and would not come under AFHQ.

9. Appreciation.

At the close of the meeting the Chief Commissioner, through the Executive Commissioner, conveyed his special

4316

1 8 2 5

785016

PR Branch

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The Acting President, summarising, said that when the Armies were moving forward FWB was paramount in its own sphere but in the event of a surrender or collapse in the North it should cease its activities or they should be transferred to AG guidance. He directed that the PRO should work out a standing arrangement with FWB which could be referred to AFHQ.

7. Monthly Reports.

Executive Commissioner said that abridged monthly reports of Regions and Sub-Commissions were not of a very high standard. It was required to give a concise general picture of the work and achievements of AG over a period of one month for LONDON and WASHINGTON.

- AMG 5 &
- 8 Army
- All Regions
- All Secs
- All S/Os

Full length reports should not be more than ten pages in length.

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See F8 for amendment

...

9. Appreciation.

4316

At the close of the meeting the Chief Commissioner, through the Executive Commissioner, conveyed his special appreciation of the 'good work carried out by the Regional Commissioners and their Staffs with special reference to Southern Region. Still more Berlin who were about to close.

DISTRIBUTION 'B'
Group 1 less serials 1 and 3/ 30 148
Group 2
Group 3 serial 77 only.

Richard E. Pitt
Office of the Executive Commissioner.

HEADQUARTERS ALLIED COMMISSION

APO 394

Office of the Executive Commissioner

+++++

Ref: 7002/98/EC.

7 March 1945.

SUBJECT: Withdrawal of AG Officers from Italian Government Territory.

TO :

RC, Sicily Region	(10)
RC, Southern Region.	(10)
RC, Sardinia Region	(5)
RC, Lazio-Umbria Region.	(10)
RC, Abruzzi-Marche Region.	(5)
Civil Affairs Section.	(10)
Economic Section.	(14)
Establishment Section.	(5)

not needed

1. The Combined Chiefs of Staff in their telegram PAN 487 of 31 January 1945 transmitting the New Deal for Italy, directed that:

"The Allied Commission shall as soon as possible withdraw all its officers stationed in the field in the territory under the jurisdiction of the Italian Government. However, the Allied Commission should retain the right to send its representatives into territory under the jurisdiction of the Italian Government for any special tasks when Allied interests require it."

2. As a result of this the following action will be taken with regard to Allied Commission functions in SARDINIA, SICILY and SOUTHERN ITALY:

(a)

SARDINIA. All Allied officers will be withdrawn with the exception of the officers and staff of the Mining Division who will restrict their functions entirely to advice regarding the output of the Sardinian coalmines, and shipping and working of the ports in connection with the output of coal.

(b)

SICILY. All Allied Commission officers will be withdrawn except:

- (i) Allied Commission Liaison Officer at PALERMO.
- (ii) Allied Commission Liaison Officer at CATANIA.
- (iii) GAO, LAMPEDUSA.
- (iv) GAO, PANTELIERA.
- (v) Certain technical officers.

4315

TO : RC, Sicily Region. (10)
 RC, Southern Region. (10)
 RC, Sardinia Region. (5)
 RC, Lazio-Umbria Region. (10)
 RC, Abruzzi-Marche Region. (5)
 Civil Affairs Section. (10)
 Economic Section. (14)
 Establishment Section. (3)

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- (b) SICILY. All Allied Commission officers will be withdrawn except:
- (i) Allied Commission Liaison Officer at PALERMO.
 - (ii) Allied Commission Liaison Officer at CATANIA.
 - (iii) CMO, LAMPEDUSA.
 - (iv) CMO, PANTELLERIA.
 - (v) Certain technical officers.
- 4315
- (c) SOUTHERN REGION. All Allied Commission officers will be withdrawn except:
- (i) Provincial Staff for NAPLES Commune in which Allied Military Government will continue.
 - (ii) Allied Commission Liaison Officer at BARI.
 - (iii) Certain technical officers.

- 2 -

(d) LAZIO-UMBRIA REGION. All Allied Commission officers will be withdrawn from Regional HQ and the Provinces of LAZIO with the exception of:

(i) Allied Commission Liaison Officer (Public Safety) with Rome Allied Area Command.

(ii) Certain technical officers.

The Provinces of UMBRIA (TERRI and PERUGIA) will continue under Allied Military Government; the Provincial staffs will remain and will pass to command of Regional HQ, MARCHE-UMBRIA (formerly ABRUZZI-MARCHE) Region.

(e) ABRUZZI-MARCHE REGION. All Allied Commission officers will be withdrawn from the Provinces of ABRUZZI (TERAMO, AQUILA, PESCARA, CHIETI), with the exception of a Transportation Officer (Truck pool) at AQUIA. The Provinces of the MARCHE (AScoli, MACERATA, ANCONA, FERRARA) will remain under Allied Military Government with Provincial staffs. The Region, which in future will be known as MARCHE-UMBRIA Region, will absorb the Provinces of PERUGIA and TERRI, under Allied Military Government, with their Provincial staffs. The Regional Commissioner will also act as Allied Commission Liaison Officer for the Provinces of ABRUZZI.

Details of officers to be retained will be found in Appendix "A".

3. Duties of the Allied Commission Liaison Officers in Italian Government territory will be to watch over the Allied and Italian interests in furtherance of the Allied war effort, and to assist the Allied authorities in their relations with Italian local authorities. They will give advice to the Allied military authorities on any matter pertaining to Italian civil affairs, but will no longer be concerned with the assumption of advice or guidance to the Italian authorities. Neither will they assume functions which are properly those of military authorities. Personnel will normally confine their activities to the neighborhood of the HQ in which they are located, but in cases of necessity they will of course deal with all matters arising from civil affairs affecting Allied interests within the Regional boundaries.

4. Regional Commissioners will take steps to complete these moves by 1 April 1945. Further instructions will be issued by the Establishment Section.

Approved
Brigadier,
Executive Commissioner.

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MARCHE-UMBRIA (formerly ABRUZZI-MARCHE) Region.

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Copy to work
Brigadier,
Executive Commissioner.

Encl: Appendix "A".

Copy to:

DA to Acting President
G-5 Section, Allied Force Headquarters,
Navy Sub-Commission
Land Forces Sub-Commission (MHA)
Air Forces Sub-Commission
Office of the Political Advisers
Communications Sub-Commission
WD & PO/ Sub-Commission
Public Relations Branch
DCAO, 15 Army Group

CLIMBERS TO BE USED IN FIELD GOVERNMENT TERRITORY APPROX. APRIL '34.

7514

SOUTHERN

- REGULAR . . .
- CATERING . . .
- HOLIDAY CATERING

1	Transportation
1	Transportation
1	Local Commissioner
1	Executive Officer
1	Adjutant
1	Provincial Officer
1	Commander C.V. "O".

Physical Control
Executive
Adjutant
Province
Commissioner

Industry
Finance
(2 to be withdrawn)
Abut 1 May 1945)

Public Works & Utilities

For more information

1. Disin
2. Inst. Disin (Prod)
3. Disinfection

- 4 Public Safety
- 5 Training
- 6 Transportation

2 Transportation) to go
4 Public Works & Utilities) withdrawn
about
June 1945.

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

15

Five truck pool transportation officers will be withdrawn as soon as the vehicles are handed over to the Italian Government, and transport movement control transportation officers will be withdrawn some time after 1 July 1945.

(Of the total number of 61 left in the South, it will be noted that 34 are in ALB territory (Hayles Commune, Pantolleria and Lapeudias).

1 MAR 1945 / 160

HEADQUARTERS ALLIED COMMISSION

ACTING PRESIDENT'S COMMISSION - 8 MARCH 1945PART I

1. Opening Address by the Acting President.
2. "New Deal for Italy". Address by Chief Commissioner.
3. Withdrawal from the South. Executive Commissioner.
4. Statement on Personnel and Transport. Deputy Executive Commissioner.

PART IIRegions

5. (a) Assignment of Officers. (EMILIA and other Northern Regions).
- (b) Policy on Implementation of Italian Government's Decrees in N. ITALY. (EMILIA Region).
- (c) Disposition of Truck Pools. (SOUTHERN Region).
- (d) Turnover of Food Distribution to Italian Agencies. (TOSCANA Region).
- (e) Pay of Statal and Parastatal Employees. (ABRUZZI MARCHE Region).

PART IIIHQ AD Sections6. (a) Economic Section.

- i. Grandi del Popolo for 1945.
- ii. 500 gram ration and price of bread and pasta.
- iii. Interprovincial movement of foodstuffs.
- iv. Derogation procedure of industrial plants and prevention of their requisitioning.
- v. Payment for goods and services requisitioned by Allied Forces including AG/AFG.

4313

2. "New Deal for Italy". Address by Chief Commissioner.
3. Withdrawal from the South. Executive Commissioner.
4. Statement on Personnel and Transport. Deputy Executive Commissioner.

PART II

Regions

5. (a) Assignment of Officers. (EMILIA and other Northern Regions).
- (b) Policy on Implementation of Italian Government's Decrees in N. ITALY. (EMILIA Region).
- (c) Disposition of Truck Pools. (SOUTHERN Region).
- (d) Turnover of Food Distribution to Italian Agencies. (TOSCANA Region).
- (e) Pay of Statel and Parastatal Employees. (NERUZZI MARCHE Region).

PART III

1940 Sections

6. (a) Economic Section.

- i. Granai del Popolo for 1945.
- ii. 500 gram ration and price of bread and pasta.
- iii. Inter-provincial movement of foodstuffs.
- iv. Derogationing procedure of industrial plants and prevention of their requisitioning.
- v. Payment for goods and services requisitioned by Allied Forces including AG/AMG.
- vi. Taxation and financial stabilisation plans of the Italian Government.
- vii. Method of bidding for schooner movement.
- viii. Definition of the tasks of the Regional Food Officer.
- ix. Labour policy in AMG territory.

4313

6. (b) Civil Affairs Section.

- i. Holding of local elections in AMG territory.
- ii. Transfer of further territory to the Italian Government.
- iii. Relationship of displaced persons & Registration Sub-Commission to Region.

(c) Public Relations Branch.

1. Development of AC Public Relations in the field.

7. Any other business.

7 March 1945.

6 MAR Recd

HEADQUARTERS ALLIED COMMISSION

AFO 394

Office of the Executive Commissioner

Ref: 216/63/EC.

SUBJECT: Acting President's Conference.

TO : Distribution below.

Tel: 735

6 March 1945.

1. The following is the seating plan ^{the} for Conference to be held in the Conference Room at 1000 hrs on 8 Mar 45.

2. The Regional Commissioner, Vice President or Director of Sub-Commission will sit at the table at the place allotted to him. Behind will be another row of chairs for the Executive Officer, Chief Staff Officer or Deputy Director.

Air Forces Navy	
Land Forces	Patriots Branch X
R.F.A.	Public Safety
Education	Displaced Persons & Repatriation
Local Government	Public Health
Legal	ERO
Abruzzi Marche Region	French Representative
Emilia Region	USSR Representative
SCAO Eighth Army	Political Advisor
Toscana Region	Chief Commissioner
SCAO Fifth Army	Acting President
POCAO	Executive Commissioner
Southern Region	VP Establishment Section
Lazio-Umbria Region	VP Economic Section
Sicilia Region	VP Civil Affairs Section
Sardegna Region	Finance
Piemonte Region	Transportation
Liguria Region	Labour

DOOR
(From Main Staircase)

4312

2. The Regional Commissioner, Vice President or Director of Sub-Commission will sit at the table at the place allotted to him. Behind will be another row of chairs for the Executive Officer, Chief Staff Officer or Deputy Director.

Air Forces Navy

Land Forces

M.F.A.

Education

Local Government

Legal

Abruzzi Marche Region

Emilia Region

SSMO Eighth Army

Toscana Region

SSMO Fifth Army

LOCCO

Southern Region

Lazio-Umbria Region

Sicilia Region

Sardegna Region

Piemonte Region

Liguria Region

Lombardia Region

Venezia Region

War Materiala Disposul
& IAW

Communications

Agriculture P.W. & U.

Patriots Branch

Public Safety

Displaced Persons &
Registration
Public Health

PRO

French Representative

USSR Representative

Political Advisor

Chief Commissioner

Acting President

Executive Commissioner

VP Establishment Section

VP Economic Section

VP Civil Affairs Section

Finance

Transportation

Labour

Peace

Industry

Commerce

4312

W. H. H. H. H.
Chief Staff Officer,
To Executive Commissioner.

DISTRIBUTION

See over

D300
(From Main Staircase)

DISTRIBUTION:

Acting President
 Chief Commissioner
 Executive Commissioner
 USR Representative
 Foreign Representative
 Political Affairs
 VP Establishment Section
 VP Economic Section
 VP Civil Affairs Section
 RAO
 Monuments, Fine Arts & Archives S/C
 Education Sub-Comm
 Local Government Sub-Comm
 Legal Sub-Comm
 Petitions Branch
 Public Safety Sub-Comm
 Displaced Persons & Repatriation S/C
 Public Health Sub-Comm
 Finance Sub-Comm
 Transportation Sub-Comm
 Labour Sub-Comm
 Food Sub-Comm
 Industry Sub-Comm
 Commerce Sub-Comm
 Agriculture Sub-Comm
 P.W. & M. Sub-Comm
 Land Forces Sub-Comm (HML)
 Air Forces Sub-Comm
 Navy Sub-Comm
 War Materials Disposal & MPA S/C
 Communications Sub-Comm

27 FEB Recd / 160

HEADQUARTERS ALLIED COMMISSION

APC 394

Office of the Chief Commissioner

Ref: 216/L5/EC.

26 February 1945.

SUBJECT: Acting President's Conference.

TO : Distribution Below.

1. The Acting President will hold a conference to discuss matters pertaining to the Allied Commission on 8 March 1945 at 1000 hours in the Main Conference Hall, Headquarters Building, Rome.

2. The following will be present:

Chief Commissioner.
Executive Commissioner and his Chief Staff Officer
Vice Presidents and their Chief Staff Officers
Directors of Sub-Commissions and their Deputies
DOCMC
Regional Commissioners and their Executive Officers
SCAC's Armies
Russian and French Representatives of the Allied Commission.

3. It is essential that numbers of officers attending should be restricted and only those enumerated above will attend. The Press will not be present.

4. The object of the conference will be to discuss the present and the future, and not to record the activities of the Commission in the past.

5. The meeting will be divided into three parts:

Part I. Opening address by the Acting President, followed by the Chief Commissioner, on the subject of the New Deal for Italy.

Part II. Discussion of problems that Regional Commissioners would like to raise.

Part III. Discussion of problems that Vice Presidents of Sections would like to raise.

6. There will be no set Agenda, and, except in regard to Part I, it is desired that the meeting should be of a purely business nature. Regional

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Regional Commissioners and their Executive Officers
SCAG's Armies
Russian and French Representatives of the Allied Commission.

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Part III. Discussion of problems that Vice Presidents of Sections would like to raise.

6. There will be no set Agenda, and, except in regard to Part I, it is desired that the meeting should be of a purely business nature. Regional Commissioners in Part II of the meeting will be asked to raise their points in the following order:

SICILIA
SOUTHERN
SARDINIA
LAZIO-UMBRIA
ABRUZZI-MARCHE
VENETIA
PIEMONTE
LOMBARDIA
LIGURIA
EMILIA
TOSCANA

4311

In regard to Part III of the meeting, Vice Presidents will be asked to raise their points in the following order:

VP, Political Section
VP, Economic Section
VP, Civil Affairs Section
VP, Establishments Section

Therap. A. One

EDDIE W. STONE
Rear Admiral, USN
Chief Commissioner

DISTRIBUTION:

Acting President
Chief Commissioner
Executive Commissioner
Political Section
Civil Affairs Section
Economic Section
Establishment Section
Land Forces Sub-Com.
Navy Sub-Com.
Air Force Sub-Com
WMD & IPR Sub-Com
Communications Sub-Com
Public Relations Branch
DOMO
SCAO, 5 Army
SCAO, 8 Army
AO, Sicilian Region
AO, Sardinia Region
AO, Southern Region
AO, Lazio-Umbria Region
AO, Abruzzi-Marche Region
AO, Toscana Region
AO, Emilia Region
AO, Piemonte Region
AO, Lombardia Region
AO, Liguria Region
AO, Venetia Region
Russian Representative

$$1 + 2 + 3 + \dots + 2000 = \frac{2000 \times 2001}{2} = 2001000$$

Russian representatives to 20

MILITARY W. STONE
Rear Admiral, USNR
Chief Commissioner

Acting President
Chief Commissioner
Executive Commissioner
Political Section
Civil Affairs Section
Economic Section
Establishment Section
Land Forces Sub-Com
Navy Sub-Com
Air Force Sub-Com
WMD & IPR Sub-Com
Communications Sub-Com
Public Relations Branch
DCLC
SCAO, 5 Army
SCAO, 3 Army
RC, Sicilian Region
RC, Sardinia Region
RC, Southern Region
RC, Lazio-Umbria Region
RC, Abruzzi-Marche Region
RC, Tuscany Region
RC, Emilia Region
RC, Piemonte Region
RC, Lombardia Region
RC, Liguria Region
RC, Venetia Region
Russian Representative
French Representative
File
Post
Score

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147
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HEADQUARTERS UNITED STATES
AFO 394
CIVIL AFFAIRS SECTION

R/S

20 FEB 1948

Tel. Rm. 478300

Ref: 4/32.6/00

SUBJECT: Policy with regard to Italian Government

To: All Sub-Commissions, Civil Affairs Section

Attached, for your information only, is a copy of the
also received by the Acting W of this Commission to the
vice minister on Saturday 14 Feb. This is forwarded as a guide
to you in your dealings with the Government, but future developments
will, it is anticipated, be the subject of a directive by the
Chief Commissioner to be issued shortly.

R. J. Gifford
R. J. GIFFORD Col.
CIVIL AFFAIRS SECTION

Circulation:

- Displaced Pers. & Repat. W/C
- Education W/C
- Legal W/C
- Local Government W/C
- Monuments & Fine Arts W/C
- Patriotic Branch
- Public Health W/C
- Public Safety W/C
- Reparations Areas Branch
- File

MP

4310

280

27 FEB Recd

/102 Patriots Branch

HEADQUARTERS ALLIED COMMISSION
APO 394
Office of the Chief Commissioner

Ref: 1001/155/80.

27 February 1945.

SUBJECT: New Deal for ITALY.

TO: Distribution below.

Pending issuance of a detailed directive to members of the Commission the attached copy of an Aide-Memoire communicated to the Italian Government by the Acting President and the Chief Commissioner on 24 February 1945 is sent to you for information and guidance.

Encl.

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

DISTRIBUTION:

S.C.A.C. Fifth Army
S.C.A.C. Eighth Army
All Regions
Sections
Sub-Commissions
Independent Sub-Commissions
(less Service Sub-Commissions).

4309

24th February, 1945

HAIR MEMOIRE FOR COMMUNICATION TO THE ITALIAN
GOVERNMENT BY THE ACTING PRESIDENT OF THE
COMMITTEE OF THE NEW DIRECTIVE ON THE
FUNCTIONS OF THE ALLIED COMMISSION.

1. In accordance with the declaration of the President of the United States of AMERICA and the Prime Minister of the United Kingdom of GREAT BRITAIN, the Allied Governments propose to relax the control of the Italian Government under the Armistice in the matter of day to day administration and only to exercise such control when Allied military interests require.

2. The Political Section of the Allied Commission is being abolished as of 1 March 1945. The Italian Ministry of Foreign Affairs will deal with the Chief Commissioner on matters of major policy, and on matters of minor policy and routine business it will address itself to whatever Section (Economic or Civil Affairs) of the Commission may be appropriate to the subject involved. Matters involving the travel of diplomatic and other public officials will hereafter be dealt with on behalf of the Commission by the Office of the Executive Commissioner.

3. The Italian Government will continue, as at present, to have direct relations with foreign diplomatic representatives accredited to the Quirinal. The Allied

Commission

2308

Commission should be kept generally informed by the Italian Government of any negotiations in which they engage with other Governments. Facilities for the use of secret bags will be granted to the Italian Government for use in correspondence with their diplomatic representatives abroad. Undeposited cipher facilities cannot be allowed for the present.

Insofar as these negotiations have to do with economic and financial matters, the Economic Section and its Finance Sub-Commission should be kept informed of their progress.

It would be convenient if the Italian Government would furnish a periodic summary of all negotiations completed or pending with other Governments.

4. The Allied Commission will limit its dealings with respect to territory under the jurisdiction of the Italian Government to consultation with and advice to the Ministers of the Italian Government.

5. The advisory functions of the Sub-Commissions of Education, Monuments and Fine Arts, Local Government, Legal and Labour in territory under the jurisdiction of the Italian Government will be performed only when requested by the Italian Government.

4307

6.

6. It will no longer be necessary for the Italian Government to obtain the approval of the Allied Commission for decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government.

Nevertheless the Allied Commission should be informed of proposed decrees some time before their enactment, in order to enable the Chief Commissioner to consult with the Italian Government as to their application to territory under the jurisdiction of Allied Military Government (AMG), and to lay plans for their effective implementation in such territory when appropriate.

7. It will no longer be necessary for the Italian Government to obtain approval of the Allied Commission for Italian appointments, whether to national or local offices, in territory under the jurisdiction of the Italian Government except with regard to the attached list (Appendix "A") of positions having military significance. The Italian Government will have the right to alter appointments made previously by AMG authorities.

8. The Allied Commission officers stationed in the field in the territory under the jurisdiction of the Italian Government will be withdrawn. As a first step it is intended to abolish by April 1, 1945, the Regional

Offices

4306

1847

Offices of the Allied Commission for Sicily, Sardinia, Southern and Lazio-Umbria Regions. Representatives of the Allied Commission will, however, be sent into territory under the jurisdiction of the Italian Government when necessary and certain specialist officers with economic functions will remain in such territory for a limited period.

9. It is the desire of the Allies to encourage free trade in knowledge and learning with the Italian people. Arrangements will be facilitated for the flow between Italy and the United Nations of books and other publications of a scientific, political, philosophical and artistic nature, and for the movement of scholars, artists and professional men between Italy and the United Nations.

10. The Allies welcome the decision to hold local elections in territory under the jurisdiction of the Italian Government as soon as may be.

11. The Allied Nations desire to make concessions with regard to Italian prisoners of war now or hereafter held in Italy, other than those captured since the Armistice was signed. Provided that arrangements can be made for the services of such persons to continue to be made available on terms satisfactory to the Supreme Commander, their status as prisoners of war will be terminated.

12. It is essential that the Italian Government formulate and implement appropriate economic controls and take all other steps possible both in order to ensure that maximum production and effective and equitable distribution and control of consumption of local resources possible under existing conditions be secured and as a prerequisite to increased economic assistance.

13. In the joint programme of essential Italian imports, now being prepared by the Inter-Ministerial Committee for Reconstruction and the Economic Section of this Commission, there will be some supplies for which the combined United States-United Kingdom military authorities will assume responsibility for procurement (Category "A") and other supplies for which they will not assume responsibility (Category "B"). A definition of the supplies which fall into Category "A" follows:

- (a) Those quantities of agreed essential supplies necessary to prevent disease and unrest prejudicial to military operations, such as, food, fuel, clothing, medical and sanitary supplies.
- (b) Those supplies, the importation of which will reduce military requirements for the import of essential civilian supplies for the purposes referred to in this paragraph, such as,

fertiliser,

4304

fertiliser, raw materials, machinery and equipment.

- (c) These materials essential for the rehabilitation of such of the Italian communication facilities, power systems and transportation facilities as will directly further the Allied military effort.

14. The programme for which the military authorities assume responsibility will be maintained for the duration of combined (United States-United Kingdom) operations in Italy. For this period, and within the limits defined in paragraph 13, Italy will be treated as a whole. The date of the termination of military responsibility will be fixed by the Allied Nations.

15. In addition to the programme of supplies for which the military assume responsibility for procurement (Category "A") the Allied Commission will assist the Italian Government in the preparation of programmes of supplies designed to rehabilitate Italian industry. Such programmes, referred to as Category "B" will be handled under procedures already notified. The purchasing of supplies in Category "B" programmes will be undertaken immediately without reference to the present difficult shipping position in order that the supplies so purchased may be called forward as and when shipping space becomes available.

16. The Allies desire that industrial rehabilitation in Italy be carried out by the Italian Government to the fullest extent permitted by Italian resources and such supplies as it may be possible to import under the terms of paragraphs 13, 14 and 15 above, and subject to the limitation in paragraph 19 below. The sole exception to this principle is to be made in the case of industries involving the production or repair of munitions or other implements of war, which will be rehabilitated only to the extent required by the Supreme Allied Commander in the discharge of his military mission, and to the extent necessary to further the Allied military effort in other theatres. The priority order in which Italian industry will be rehabilitated (after the rehabilitation of industries essential for Allied military purposes) will be determined by the Italian Government, with the assistance and advice of the Allied Commission.

17. The prime responsibility for the control of inflation in Italy, including the imposition and administration of the appropriate financial controls and economic controls, and appropriate utilization of supplies, rests with the Italian Government. In this connection, as in others, the Allied Commission stands ready to advise and assist.

18. The extent to which exports are to be stimulated and the development of machinery to handle export trade are for determination by the Italian Government. For the time being, the Italian export programme will necessarily be limited by certain shipping, military, financial and supply factors. The applicability of these factors to individual programmes will be worked out between the Italian Government and the Economic Section of the Allied Commission along the lines already discussed by the Economic Section with the Inter-Ministerial Committee for Reconstruction.

19. Nothing contained in the above should be taken as constituting a commitment by the Allied Nations with respect to shipping. Any supplies to be imported into Italy must be transported within such shipping as may be allocated from time to time by the Allied Nations.

HAROLD MACMILLAN

4301

APPENDIX "A".

List of Italian Government appointments requiring
prior approval by the Allied Commission

Minister of War

Minister of Marine

Minister of Air

Any other Minister of Armed Forces
who may be created

Under Secretary for Telecommunications

Director of Railroads

Director General of Public Security

Commanding General, CG.RR

Chief of Staff, CG.RR

Commanding General, CG.FF.

Appointments in the Army, Navy, and Air Force
in accordance with current practice.

4300

47

22 FEB Recd

160

MP

SECRET

HEADQUARTERS ALLIED COMMISSION
APO 394
CIVIL AFFAIRS SECTION

Tel. Ext. 525

Ref: 4/32 B/CA.

22 Feb 45.

SUBJECT: New Deal for Italy.

TO: Directors, All Sub-Commissions
and Branches,
Civil Affairs Section.

- 1 Enclosed herewith for your SECRET information:-
 - (a) Copy of FAN 407 addressed by Combined Chiefs of Staff to "ACM".
 - (b) Copy of letter from Chief Commissioner to AFHC, with enclosures.
- 2 The following programme has been arranged:-
 - (a) The Chief Commissioner will give the Allied Advisory Council for Italy an outline of the New Deal for Italy on Saturday morning next (24 Feb 45).
 - (b) The Acting President and the Chief Commissioner will inform the Prime Minister of their proposals on Saturday afternoon.
 - (c) The Acting President will hold a press conference and give the press an outline of his proposals on Saturday evening.
- 3 I will discuss the matter at my staff meeting tomorrow (Friday).

G. R. Upjohn
G. R. UPJOHN, Brig.,
VP CA Section.

TO: Displaced Persons & Repatriation S/C,
Education S/C,
Legal S/C,
Local Government S/C,
Monuments, Fine Arts & Archives S/C,
Public Health S/C,
Public Safety S/C,
Patriots Branch,
Devastated Areas Branch.

4299

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COPY.

SECRET

NEW DIRECTIVE FROM COMBINED CHIEFS OF
STAFF ON THE ALLIED COMMISSION.

PLS 467.

Following is Directive from Combined Chiefs of Staff.

1. In order to implement the joint declaration of the President and the Prime Minister of 26 September, 1944, the US and UK Governments have agreed to relax the control of the Italian Government under the armistice and surrender instrument and only to exercise such control when military needs require it, thus devolving in the Italian authorities a greater sense of responsibility. The rights under the armistice and surrender instrument will be held in reserve in the matter of day to day administration, subject to overriding military needs and the requirements of the campaign in Italy.

In the light of this agreed MOSK policy, you should take action as rapidly as possible in conformity with the following paragraphs:

POLITICAL SECTION.

2. (a) The Political Section of the Allied Commission will be abolished. The Allied Commission will obtain advice from the US and UK Ambassadors in Rome. There is NO intention, however, to make any change in the responsibility of the Combined Chiefs of Staff, acting through the Allied Commission; the Combined Chiefs of Staff, will, therefore, as occasion requires, continue to transmit directives in regard to the combined views of the two Governments on matters of major policy, and such other matters as are within the scope of the activities of the Allied Commission.
- (b) The Italian Government shall be permitted to have direct relations with foreign diplomatic representatives accredited to the Quirinal, provided that the Allied Commission is kept generally informed by the Italian Government of any negotiations in which they engage with other governments.
- (c) The Allied Commission shall abandon the practice of approving the decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government. Any new Italian Government will be requested to confirm that they will adhere to the obligations under the terms of surrender undertaken by their predecessors.
- (d) The Allied Commission shall abandon the practice of

4298

1. In order to implement the joint declaration of the President and the Prime Minister of 26 September, 1944, the US and UK Governments have agreed to relax the control of the Italian Government under the armistice and surrender instrument and only to exercise such control when military needs require it, thus devolving in the Italian authorities a greater scope of responsibility. The rights under the armistice and surrender instrument will be held in reserve in the matter of any to any administration, subject to overriding military needs and the requirements of the campaign in Italy.

In the light of this agreed US-UK policy, you should take action as rapidly as possible in conformity with the following paragraphs:

ADMINISTRATIVE SECTION

2. (a) The Political Section of the Allied Commission will be abolished. The Allied Commission will obtain advice from the US and UK Ambassadors in Rome. There is no intention, however, to make any change in the responsibility of the Combined Chiefs of Staff, acting through the Allied Commission; the Combined Chiefs of Staff, will, therefore, as occasion requires, continue to transmit directives in regard to the combined views of the two Governments on matters of major policy, and such other matters as are within the scope of the activities of the Allied Commission.

(b) The Italian Government shall be permitted to have direct relations with foreign diplomatic representatives accredited to the Combined Chiefs of Staff, provided that the Allied Commission is kept generally informed by the Italian Government of any negotiations in which they engage with other governments.

(c) The Allied Commission shall abandon the practice of approving the decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government. Any new Italian Government will be requested to confirm that they will adhere to the obligations under the terms of surrender undertaken by their predecessors.

(d) The Allied Commission shall abandon the practice of approving any Italian appointments in territory under the jurisdiction of the Italian Government except in regard to Service Ministers and such military appointments as you may determine.

(e) The Allied Commission shall as soon as possible withdraw all its officers stationed in the field in the territory under the jurisdiction of the Italian Government. However, the Allied Commission should retain the right to send its representatives into territory under the jurisdiction of the Italian Government for any special tasks when Allied interests require it.

4298

- (f) The US and UK Governments have agreed that the Italian Government will be advised that it is the Allied desire to encourage free trade in knowledge and learning with the Italian people. As far as the exigencies of the military situation permit you will facilitate any arrangements for the flow of books and other publications of a scientific, political, philosophical and artistic nature between Italy and the United Nations and for the movement of scholars, artists and professional men between Italy and the United Nations.
- (g) The US and UK Governments have agreed that in accordance with the terms of the 1945 declaration it is desirable to encourage the holding of elections for local public offices in territory under the jurisdiction of the Italian Government and you should be guided accordingly.
- (h) The status of Italian Prisoners of War now or hereafter held in Italy other than those captured since the armistice was signed should be terminated by you upon adequate assurance being given by the Italian Government that their services will continue to be made available on terms satisfactory to you as Supreme Allied Commander subject to Combined Chiefs of Staff approval.

ADMINISTRATIVE SECTION.

3. The internal organization of the Allied Commission is primarily your responsibility. In the reorganization of the Allied Commission it is desired that you give consideration to the following policies and objectives:

- (a) The Staff of Allied Commission Headquarters should occupy itself primarily with consultation and advice to the Italian Government at high levels.
- (b) As far as certain Sub-Commissions of the Allied Commission Headquarters are concerned such as Education, Arts and Monuments, Local Government, Labour and Legal, their advisory functions in respect of Italian Government territory should be exercised only upon request of the Italian Government. The Italian Government should be advised in respect of territory under the jurisdiction of the Italian Government.
- (c) The Sections and Subcommissions of the Allied Commission Headquarters should be progressively civilianized to the fullest extent which in your opinion circumstances allow, except the Service Subcommissions and except to the extent that Subcommissions exercise functions with respect to territory under Allied Military Government (AMG).
- (d) To the extent feasible, officers of Allied Commission Headquarters dealing with AMG functions should be located at places other than Allied Commission Headquarters.

in territory under the jurisdiction of the Italian Government and you should be guided accordingly.

- (a) The status of Italian Prisoners of War now or hereafter held in Italy other than those captured since the armistice was signed should be terminated by you upon adequate assurance being given by the Italian Government that their services will continue to be made available on terms satisfactory to you as Supreme Allied Commander subject to Combined Chiefs of Staff approval.

ADMINISTRATIVE SECTION

3. The internal organization of the Allied Commission is primarily your responsibility. In the reorganization of the Allied Commission it is desired that you give consideration to the following policies and objectives:

- (a) The Staff of Allied Commission Headquarters should occupy itself primarily with consultation and advice to the Italian Government at high levels.
- (b) As far as certain Sub-Commissions of the Allied Commission Headquarters are concerned such as Education, Arts and Monuments, Local Government, Labour and Legal, their advisory functions in respect of Italian Government territory should be exercised only when requested by the Italian Government. No Commission is to be exercised by the Italian Government in respect of territory under Allied Military Government (AMG).
- (c) The Sections and Subcommissions of the Allied Commission Headquarters should be progressively civilianised to the fullest extent which in your opinion circumstances allow, except the Service Subcommissions and except to the extent that Subcommissions exercise functions with respect to territory under Allied Military Government (AMG).
- (d) To the extent feasible, officers of Allied Commission Headquarters dealing with AMG functions should be located at places other than Allied Commission Headquarters.

ECONOMIC SECTION

4. It is necessary that the maximum production and effective and equitable distribution and control of consumption of local resources possible under existing conditions be secured. The Italian Government should be advised that to this end and as a prerequisite to increased economic assistance it must formulate and implement appropriate economic controls and take all other steps possible. In the event that these conditions are not met the Allied authorities will not hesitate to impose the necessary controls or take other appropriate measures.

5. For the duration of combined operations, the combined US-UK military authorities will be responsible for providing:

- (a) Those quantities of food, fuel, clothing, medical, sanitary and other needed essential supplies necessary to prevent disease and unrest prejudicial to such operations.
- (b) Those supplies such as fertilizer, raw materials, machinery and equipment, the importation of which will reduce military requirements for the import of essential civilian supplies for the purposes referred to in this paragraph. As the time when combined military responsibilities will terminate will NOT be known when requisitions are being prepared and considered, the importation of supplies under this sub-paragraph will NOT be excluded merely because the effect of such imports may NOT be felt during the period of combined military responsibility.
- (c) Those supplies necessary for the restoration of such of the Italian power system and transportation and communication facilities as will further the military effort against GERMANY and JAPAN.

To the extent contemplated by this Paragraph 5, essential civilian supplies cannot be delivered from the military supply programs and ITALY must be treated as a whole. It is understood that the date of termination of combined military responsibility for providing supplies as set out above will be decided by the Combined Chiefs of Staff on your recommendation.

6. The Allied Commission shall be advised to assist the Italian Government in the preparation of programs of supplies designed to rehabilitate Italian industry. These supplies will be in addition to those to be provided as a military responsibility. Such programs when established by the Italian Government will NOT be subject to screening by Allied Force Headquarters, but will be reviewed and transmitted directly with appropriate comments and recommendations by the Allied Commission to the Combined Civil Affairs Committee, which will transmit the programs to the Combined Liberated Areas Committee for action by the appropriate civilian agencies of the UNITED STATES and British Governments. The UNITED STATES and British Governments will each make available such shares as may be mutually agreed of the cost of the provision of such of these programs as may be approved by the Combined Liberated Areas Committee. Procurement covering such programs should immediately be put in hand without reference to the present shipping position in order that the supplies may be called forward as and when shipping space becomes available. In this connection see Paragraph 8 below.

7. The questions raised by you in Sub-paragraphs A, B and C of Paragraph 4 of MAR 776 are answered as follows:

- (a) The prime responsibility for the control of inflation in ITALY, including the imposition and administration of appropriate financial and economic controls and appropriate utilization of supplies, must rest with the Italian Govern-

- (e) These supplies necessary for the restoration of such of the Italian power systems and transportation and communication facilities as will further the military effort against Germany and Japan.

To the extent contemplated by this Paragraph 5, essential civilian supplies cannot be diverted from the military supply program and Italy must be treated as a whole. It is understood that the date of termination of combined military responsibility for providing supplies as set out above will be decided by the Combined Chiefs of Staff on your recommendation.

6. The Allied Commission shall be advised to assist the Italian Government in the preparation of programs of supplies designed to rehabilitate Italian industry. These supplies will be in addition to those to be provided as a military responsibility. Such programs when established by the Italian Government will not be subject to comment by Allied Force Headquarters, but will be reviewed and transmitted directly with appropriate comments and recommendations by the Allied Commission to the Combined Civil Affairs Committee, which will transmit the programs to the Combined Liberated Areas Committee for action by the appropriate civilian agencies of the UNITED STATES and British Governments. The UNITED STATES and British Governments will each make available such shares as may be mutually agreed of the cost of the provision of such of these programs as may be approved by the Combined Liberated Areas Committee. Procurement covering such programs should immediately be put in hand without reference to the present shipping position in order that the supplies may be called forward as and when shipping space becomes available. In this connection see Paragraph 8 below.

7. The questions raised by you in sub-paragraphs A, B and C of Paragraph 4 of MR 778 are answered as follows:

- (a) The prime responsibility for the control of inflation in Italy, including the imposition and administration of appropriate financial and economic controls and appropriate utilization of supplies, must rest with the Italian Government. Your responsibility in this connection, other than with respect to the importation of supplies, is, through the Allied Commission, to advise and assist the Italian Government.
- (b) It is desired that industrial rehabilitation in Italy be carried out by the Italian Government to the fullest extent permitted by the Italian resources and such supplies as you may be authorized to import, consistent with the discharge by you of your military mission, with the exception that industries for the production or repair of munitions or other implements of war shall be rehabilitated only to the extent required by you in discharge of your military mission and as will further the military effort in other theatres. Except

For those industries the rehabilitation of which is essential to the discharge of your military mission and in furtherance of the military effort in other theaters, which rehabilitation should be given first priority, industries other than those excluded by the preceding sentence will be given such precedence in rehabilitation as may be determined by the Italian Government.

(c) The extent of your responsibility with respect to the importation of supplies into Italy is defined in Paragraphs 5 and 6 hereof. Except as is so defined, you have no responsibility for the importation of supplies into Italy.

(d) Within the limitation of available shipping and subject to military considerations as determined by you, the extent to which exports are to be stimulated and the development of machinery to handle export trade are for determination by the Italian Government. The appropriate civilian agencies of the British and American Governments are currently considering methods by which the Italian Government may be assisted in these respects and as soon as decisions in this connection are reached, you will be advised with respect thereto.

8. Nothing herein contained shall constitute a commitment with respect to shipping. Any supplies to be imported into Italy must be transported within such shipping as may be allocated from time to time.

FINANCIAL SECTION.

9. The two Governments are discussing proposals for giving the Italian Government a greater measure of responsibility in financial matters; a further directive on these matters will follow.

SECRET

HEADQUARTERS ALLIED COMMISSION

AR 394

Office of the Chief Commissioner

Ref: 4004/EG

19 February 1945.

SUBJECT: New COS Directive on the Allied Commission.

TO : Allied Base Headquarters.
Attn: G-5 Section.

1. It may be of interest to you to know the action which I propose to take as a result of the receipt of FA 467, communicated to me by the Acting President:

(a) Para 2(a). I am asking the US and British Embassies formally to reimburse their representatives who, for many reasons, will require to have an office at this Headquarters. They will bear the same relation to me as POLAD and RESALIN bear to SACRED.

(b) Para 2(b).

(i) I have asked on more than one occasion whether the Italians might be allowed to use the usual cipher and code facilities to their representatives in the countries with which diplomatic relations have been resumed. I have had no answer to this request and I should be glad if this point could be cleared at once. A separate cable has been dispatched on this point.

(ii) I shall request the Italian Government to advise me of negotiations with other Governments in which the Italian Government may engage themselves.

(iii) It will be to our advantage and to the advantage of the Italian Government that direct relations should be resumed as soon as possible with the French, Yugoslav and Greek Governments and I shall urge the Italian Government to this end. It is expected that the Allied Embassies will take a similar position.

(c) Para 2(c). states "The Allied Commission shall abandon the practice of approving the decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government. Any new Italian Government will be requested to confirm that they will adhere to the obligations under the terms of surrender undertaken by their predecessors".

4296

1. It may be of interest to you to know the action which I propose to take as a result of the receipt of PAM 467, communicated to me by the Acting President:

(a) Para 2(A). I am asking the US and British Embassies formally to nominate their representatives who, for many reasons, will require to have an office at this Headquarters. They will bear the same relation to me as POLAD and ELACEN bear to SACRED.

(b) Para 2(B).
(i) I have asked on more than one occasion whether the Italians might be allowed to use the usual cipher and code facilities to their representatives in the countries with which diplomatic relations have been resumed. I have had no answer to this request and I should be glad if this point could be cleared at once. A separate cable has been despatched on this point.

(ii) I shall request the Italian Government to advise me of negotiations with other Governments in which the Italian Government may engage themselves.

(iii) It will be to our advantage and to the advantage of the Italian Government that direct relations should be resumed as soon as possible with the French, Yugoslav and Greek Governments and I shall urge the Italian Government to this end. It is expected that the Allied Embassies will take a similar position.

(c) Para 2(C). states "The Allied Commission shall abandon the practice of approving the decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government. Any new Italian Government will be requested to confirm that they will adhere to the obligations under the terms of surrender undertaken by their predecessors".

(i) I interpret the words "in the territory" to mean "affecting the territory". Certain Italian decrees may affect Allied Military Government territory and since it is considered desirable to coordinate policy in territory which will be ultimately transferred, I shall cause informal consultations to be continued between the Allied Commission and the Italian Government, particularly in relation to economic decrees.

(ii) I also interpret this clause, read with 1(A), to vest in SACRED the right, when necessary, to exercise control in any decree affecting military needs and the requirements of the campaign.

-2-

(d) Para 2(D) The transfer of territory documents (Document "L") will now have to be amended in order to enable the Italian Government to remove officials previously nominated by AMG officials without reference to the Allied Commission. This will be taken up under separate cover. All Service Sub-Commissions desire to retain the right of vetting military appointments. The technical posts of Directors of Telecommunications and Railroads will be considered as military appointments hitherto.

(e) Para 2(E)

(i) I attach draft directive which will be issued shortly in order to withdraw Allied Officers of the Commission from the Islands and Southern Regions. (See Annexure "A").

(ii) It is essential that we should implement this clause to the maximum. There will be great temptation on the part of military formations and services, Italian local authorities and Allied Commission officers to regret the departure of Allied Commission officers and to retain a "small" number which will gradually grow and will lead us to fall between the two stools of (a) control, which necessitates many officers, and (b) decentral, which should need none. It is essential that military formations and services should be instructed not to ask for the retention of Allied Commission officers but to take their share in some of the difficulties which will have to be faced by Allies and Italians alike as a result of the CCS directive. The Allied Commission will be compelled to give up responsibilities and duties which have been of value to the Allied military formations. Allied officers who have been the proper media between Allied military authorities and the Italian local governments will disappear. I would ask that a directive be issued to military formations and services on this and other matters arising out of the directive.

(iii) It may be thought necessary for the military authorities to assume responsibility for any necessary supervision of public utilities of military importance, e.g., railways, power, highways, through their own officers. This would impose an even more rigid military control than that which the present directive instructs us to remove.

(iv) Allied military Government will continue in Naples Command unless it is your desire that it should be removed. It would, of course, be an advantage to withdraw all officers but I assume that the local military authorities will insist on retention of AMG. AMG Courts in EAPF will cease.

(v) I submit for consideration the withdrawal, insofar as possible, of HQ 204 sub-area from SICILY and other headquarters which are not absolutely essential.

4295

(14) It is essential that we should implement this clause to the maximum. There will be great temptation on the part of military formations and services, Italian local authorities and Allied Commission officers to regret the departure of Allied Commission officers and to retain a "small" number which will gradually grow and will lead us to fall between the two stools of (a) control, which necessitates many officers, and (b) decentral, which should need none. It is essential that military formations and services should be instructed not to ask for the retention of Allied Commission officers but to take their share in some of the difficulties which will have to be faced by allies and Italians alike as a result of the OSS directive. The Allied Commission will be compelled to give up responsibilities and duties which have been of value to the Allied military formations. Allied officers who have been the proper media between Allied military authorities and the Italian local governments will disappear. I would ask that a direction be issued to military formations and services on this and other matters arising out of the directive.

(15) It may be thought necessary for the military authorities to assume responsibility for any necessary supervision of public utilities of military importance, e.g., railways, power, highways, through their own officers. This would impose an even more rigid military control than that which the present directive instructs us to remove.

(16) Allied military Government will continue in Naples Commune unless it is your desire that it should be removed. It would, of course, be an advantage to withdraw all officers but I assume that the local military authorities will insist on retention of AMG. AMG Courts in Bari will cease.

(17) I submit for consideration the withdrawal, insofar as possible, of HQ 204 Sub-area from SICILY and all Sub-area Headquarters which are not absolutely essential.

(18) Para 2(F). The implementation of this clause depends upon the repeal or amendment of the "Working with the Enemy Act" so far as it affects Italy.

(19) Para 2(G). This has already been done and the Italian Government have the matter in hand. It is most probable that local government elections will take place throughout the major portion of liberated Italy in the spring.

(20) Para 2(H). The status of Italian POW in Italy is the subject of a separate memorandum which will be submitted to you.

-3-

- (i) Para 3(A). I interpret this to mean consultation between Heads of Sections and Directors of Sub-Commissions on the one hand and Ministers and Under-Secretaries on the other.
- (j) Para 3(E). This can be carried out but latitude will be necessary in respect of labour and wage matters which affect IAC territory.
- (k) Para 3(C). The process of civilisation is already in hand.
- (l) Para 3(D). My Deputy Chief Civil Affairs Officer is already located at a place other than Allied Commission Headquarters. Further separation is not feasible at the moment.
- (m) Para 4. It will be necessary to represent to the Italian Government the contents of this and other clauses in the directive. This will be done. I do not propose communicating the first sentence of this paragraph to the Italian Government, since it is not reconcilable with the spirit of the rest of the directive.
- (n) Para 5.
- (1) (1) The Italian Inter-Ministerial Committee for Reconstruction and the Economic Section of the Allied Commission are now preparing a joint programme of essential Italian imports. The Italian Government will be informed of the three categories for which the US/UK military authorities assume responsibility.
- (41) This clause gives a wider interpretation to Category A programme (disposal and unrest) than this Commission has yet received. In order to implement it, I propose to resubmit requisitions that have already been rejected and also to submit part of the new joint programme now being worked out with the Italian Government.
- (o) Para 6. Similarly this clause has a wider interpretation of the Category B programme and will be considered at the joint discussions.
- (p) Para 7(A). This will to some extent modify the work of price control now done by the Allied Commission. It is assumed to be a partial reply to recommendations made by the Anti-Inflation Committee in June 1944.
- (q) Para 9. Has been made the subject of a separate telegram.
2. I attach memorandum (Annexure "B") which I propose to transmit to the Italian Government informing them of the terms of the "New Deal" as soon as I am instructed to make public the terms of the new directive.

ALBERT W. STONE

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- (m) Para 4. It will be necessary to represent to the Italian Government the contents of this and other clauses in the directive. This will be done. I do not propose communicating the last sentence of this paragraph to the Italian Government, since it is not reconcilable with the spirit of the rest of the directive.
- (n) Para 5.
 (i) The Italian Inter-Ministerial Committee for Reconstruction and the Economic Section of the Allied Commission are now preparing a joint programme of essential Italian imports. The Italian Government will be informed of the three categories for which the US/UK military authorities assume responsibility.
 (ii) This clause gives a wider interpretation to Category A programme (disaster and unrest) than this Commission has yet received. In order to implement it, I propose to resubmit requisitions that have already been rejected and also to submit part of the new joint programme now being worked out with the Italian Government.
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- (q) Para 9. Has been made the subject of a separate telegram.
2. I attach memorandum (Annexure "B") which I propose to transmit to the Italian Government informing them of the terms of the "New Deal" as soon as I am instructed to make public the terms of the new directive.

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HENRY W. STONE
 Rear Admiral, USNR
 Chief Commissioner

Copy to: Acting President.
 The Hon. Mr. Alexander Kirk, US Ambassador.
 Sir Noel Charles, St. James, British Ambassador.
 VP, Economic Section
 VP, Civil Affairs Section.
 VP, Establishment Section.
 VP, Political Section.
 Land Forces Sub-Commission.
 Air Forces Sub-Commission.
 Navy Sub-Commission.
 Mail & IPR Sub-Commission
 Communications Sub-Commission

2nd DRAFT DIRECTIVE.

SECRET.

WITHDRAWAL OF ALLIED COMMISSION OFFICERS
FROM ITALIAN GOVERNMENT TERRITORY.

1. Para 2(e) of GCS telegram TAN 457 transmitting the directive on the "New Deal for Italy" directs that:

"The Allied Commission shall as soon as possible withdraw all its officers stationed in the field in the territory under the jurisdiction of the Italian Government. However, the Allied Commission should retain the right to send its representatives into territory under the jurisdiction of the Italian Government for any special tasks when Allied interests require it".

2. As a result of this the following action will be taken with regard to Allied Commission functions in SARDINIA, SICILY and SOUTHERN ITALY:

(a) SARDINIA. All Allied officers will be withdrawn with the exception of the officers and staff of the Mining Division who will restrict their functions entirely to advice regarding the cut out of the Sardinian coalmines. This will involve the withdrawal of the Regional Commissioner and 10 officers, and the retention of 2 Mining Division Officers.

(b) SICILY. All Allied officers will be withdrawn with the following exceptions:

- | | |
|--|-------------------------|
| (i) 2 Finance Officers | } Until 1st April 1945. |
| (ii) 4 Supply Accountant | |
| (iii) 1 Property Control Officer | |
| (iv) (i), (ii) and (iii) will work under Allied Commission | |

Liaison Officers who will be appointed:

- (a) In PALERMO to correlate the functions of the US Navy Base with the Italian authorities.
- (b) In CATANIA to correlate the functions of 204 Sub-

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Commission should retain the right to send its representatives into territory under the jurisdiction of the Italian Government for any special tasks when Allied interests require it".

2. As a result of this the following action will be taken with regard to Allied Commission functions in SARDINIA, SICILY and SOUTHERN ITALY:

(a) SARDINIA. All Allied officers will be withdrawn with the exception of the officers and staff of the Mining Division who will restrict their functions entirely to advice regarding the cut put of the Sardinian coal mines. This will involve the withdrawal of the Regional Commissioner and 10 officers, and the retention of 2 Mining Division Officers.

(b) SICILY. All Allied officers will be withdrawn with the following exceptions:

- | | |
|--|--------------------------|
| (i) 2 Finance Officers | }} Until 1st April 1945. |
| (ii) 1 Supply Accountant | |
| (iii) 1 Property Control Officer | |
| (iv) (i), (ii) and (iii) will work under Allied Commission | |

Liaison Officers who will be appointed:

- (a) In PALERMO to correlate the functions of the US Navy Base with the Italian authorities. **4293**
- (b) In CATANIA to correlate the functions of 204 Sub-Area with the Italian authorities
- (v) A Transportation Officer will be attached to the Liaison Officer in CATANIA to regulate rail transport into REGGIO on the mainland.
- (vi) The Regional Mining Officer will be assigned to Headquarters, Industry Sub-Commission, and will be despatched to SICILY as occasion demands.

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(vii) The 4 Export Officers loaned by the Ministry of Food (British) will be attached to the Commerce Sub-Commission and sent to SICILY as the occasion demands. There numbers will be reduced if possible.

(viii) LAMPEDUSA and PANTHERIA will remain under Allied Military Government. CAO's will report to the AC Liaison Officer at PALERMO.

(c) SOUTHERN REGION. All officers will be withdrawn with the

following exceptions:

Local.

(i) ~~Regional~~ Commissioner and staff for Allied Military Government, NAPLES COMUNE (See Appendix "A"). This officer will also act as AC Liaison Officer in order to correlate the functions of No. 3 District, PBS and other military authorities with the Italian authorities in the compartimenti of CAMPANIA and CALABRIA.

(ii) There will also be established an AC Liaison Officer at BARI with the same functions in connection with the compartimenti of APULIA and LUCANIA, together with the Province of CAMPOBASSO. This Liaison Officer and his staff will work with the sub-areas operating in this area and the 15th USALF at FOGGIA. The AC Liaison Officer will have a small staff consisting of:

(a) 5 Representatives of the Economic Section
(Transportation Sub-Commission) 3 of whom

will work in connection with truck pools and
will be withdrawn when truck pools are handed
over to the Italian Government.

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(c) SOUTHERN REGION. All officers will be withdrawn with the

following exceptions:

Local.

(i) ~~Provincial~~ Commissioner and staff for Allied Military Government, Naples Commune (See Appendix "A"). This officer will also act as AC Liaison Officer in order to correlate the functions of AC.3 District, PBS and other military authorities with the Italian authorities in the compartimenti of CAMPANIA and CALABRIA.

(ii) There will also be established an AC Liaison Officer at BARI with the same functions in connection with the compartimenti of APULIA and LUCANIA, together with the Province of CALABRASSO. This Liaison Officer and his staff will work with the sub-areas operating in this area and the 15th USAF at FOGGIA. The AC Liaison Officer will have a small staff consisting of:

(a) 5 Representatives of the Economic Section

(Transportation Sub-Commission) 3 of whom

will work in connection with truck pools and

will be withdrawn when truck pools are handed

over to the Italian Government.

(d) LAZIO-UMBRIA REGION. All officers will be withdrawn with the exception of the Provincial Staffs of PERUGIA and TERNI who will continue to administer Allied Military Government in these two Provinces under the command of the Provincial Commissioner, PERUGIA, reporting direct to the Allied Commission.

In addition an Allied Commission Liaison Section will be attached to Rome Area Allied Command consisting of the following:

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- (i) 1 Public Safety Officer
- (ii) 1 NSA Officer, ROME.
- (iii) 1 Supply Accountant.
- (iv) 1 Property Control Officer.

3 officers of the Transportation Sub-Commission and 1 officer of the Public Works & Utilities Sub-Commission now operating at the port of CIVITAVECCHIA will be retained there under the direct control of the Economic Section. They will be withdrawn before 1st June 1945.

(e) ABRUZZI-MARCHE REGION. All Allied Commission officers will

be withdrawn from the Provinces of AQUILA, PESCARA and CHIETI. Regional HQ will be moved to (?) and will administer Allied Military Government in such Provinces of the compartmento which have not been handed back to the Italian Government. The Regional Commissioner will also act as Liaison Officer with the Sub-Area concerned in the Provinces administered by the Italian Government.

3. The duties of the Allied Commission Liaison Officers retained in Italian Government territory will be to watch over the inter-relation of Allied and Italian interests insofar as the Allied war effort is directly concerned and to assist the Allied military authorities in their relations with the Italian local authorities. They will give advice to the Allied military authorities on any matter pertaining to Italian civil affairs but they will no longer be concerned with the assumption of control or advice or guidance to the Italian authorities. They will be careful not to assume functions which are properly those of the military authorities and must retain their purely advisory capacity. (It may well be that functions hitherto carried

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under the direct control of the Economic Section. They

will be withdrawn before 1st June 1945.

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be withdrawn from the Provinces of AQUILA, PESCARA and

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administer Allied Military Government in such Provinces of the

compartimento which have not been handed back to the Italian

Government. The Regional Commissioner will also act as Liaison

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military authorities on any matter pertaining to Italian civil affairs ~~but~~

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or guidance to the Italian authorities. They will be careful not to assume

functions which are properly those of the military authorities and must retain

their purely advisory capacity. (It may well be that functions hitherto carried

out by Allied Commission officers such as supervision of railroads, highways

and electric power on behalf of the military authorities will have to be ~~assumed~~

~~by~~ those military authorities. ^{by further instructions will follow or this} They will normally confine their

activities to the neighbourhood of the Headquarters in which they are located,

ie, PALERMO, CATANIA, NAPLES and ROME, but in cases of necessity they will, of

course, take cognizance of all matters arising from civil affairs affecting

-4-

Allied interests.

4. They will correspond direct with HQ. Allied Commission under whose authority they will work and to whom they will render regular and frequent reports on their day to day work and on the political, administrative and economic situation in the areas which they cover.
5. All withdrawals indicated above and the establishment of AC Liaison Officers will be completed by 1st March 1945.

Appendix "A".

COMPOSITION OF STAFF FOR ALLIED MILITARY
GOVERNMENT, NANTES COMMUNE.

Provincial Commissioner	1	B
Executive Officer	1	A
Adjutant	1	A
Provincial Officer	1	B
Commander, Coy "O"	1	A

Civil Affairs Section.

Legal	3
Public Health	3
Public Safety	4

Economic Section.

Commerce	2
Food	1
Industry	2
Finance	5
PT & Utilities	2
Transportation	2
Communications	5
	2 (Hemp Control)

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Appendix "A".

COMPOSITION OF STAFF FOR ALLIED MILITARY
GOVERNMENT, NETHERLANDS.

Provincial Commissioner	1	B
Executive Officer	1	A
Adjutant	1	A
Provincial Officer	1	B
Commander, Coy "C"	1	A

Civil Affairs section.

Legal	3
Public Health	3
Public Safety	4

Economic Section.

Commerce	2
Food	1
Industry	2 (Hemp Control)
Finance	5
PH & Utilities	2
Transportation	5
Communications	

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DRAFT ONLY.

S E C R E T.

ANNEXURE "B" to 4001/EC
dated 19 February 1945.

HEADQUARTERS ALLIED COMMISSION

APC 394

Office of the Chief Commissioner

My Dear Mr. Prime Minister:

In order to implement the joint declaration of the President and the Prime Minister of 26 September 1944, the United States and United Kingdom Governments have agreed to relax the control of the Italian Government under the armistice and surrender instrument and only to exercise such control when Allied military interests require. The rights under the armistice and surrender instrument will be held in reserve in the matter of day to day administration, subject to overriding military needs and the requirements of the campaign in Italy.

2. In the light of this agreed US UK policy, the Allied Commission is taking certain steps and is following certain policies concerning which it is desirable that your Government be informed. These steps are described in the paras below, together with an indication of the new procedures which it is proposed to adopt in working with your Government under the new arrangements.

3. The Political Section of the Allied Commission is being abolished as of February 1945. Your Ministry of Foreign Affairs will thus have no direct counterpart in the Commission. It will deal with the Chief Commissioner on matters of major policy, and on matters of minor policy and routine business it will address itself to the Economic Section or the Civil Affairs Section of the Commission, whichever may be appropriate to the subject involved. Matters involving the travel of diplomatic and other

Kingdom Governments have agreed to relax the control of the Italian Government under the armistice and surrender instrument and only to exercise such control when Allied military interests require. The rights under the armistice and surrender instrument will be held in reserve in the matter of day to day administration, subject to overriding military needs and the requirements of the campaign in Italy.

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4. The Italian Government will continue, as at present, to have direct relations with foreign diplomatic representatives accredited to the Quirinal. It is necessary, however, that the Allied Commission be kept generally informed by the Italian Government of any negotiations in which they engage with other Governments.

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Insofar as these negotiations have to do with economic and financial matters, this requirement will be met by keeping the Economic Section and its Finance Sub-Commission informed of the progress of such negotiations. On policy matters, this might appropriately be done through the weekly meetings held between the Economic Section and the Inter-Ministerial Committee for Reconstruction, at which the Ministry of Foreign Affairs is generally represented.

We may also wish to work out jointly an arrangement for the preparation by the Italian Government of a periodic summary of negotiations completed or pending with other Governments.

5. It will no longer be necessary for the Italian Government to obtain the approval of the Allied Commission for decrees and other legislation enacted by the Italian Government in the territory under the jurisdiction of the Italian Government.

I should, however, desire to work out with your Government a procedure for ensuring that this Commission is informed of proposed decrees some time before their enactment, in order to enable me to consult with you as to their applicability to territory under the jurisdiction of Allied Military Government (AMG), and to lay plans for their effective implementation in such territory when appropriate.

6. It will no longer be necessary for the Italian Government to obtain approval of the Allied Commission for Italian appointments, whether to national or local offices, in territory under the jurisdiction of the Italian Government, except with regard to the attached list (Appendix "I") of positions having military significance.

7. The Allied Commission officers stationed in the field in the territory under the jurisdiction of the Italian Government will be withdrawn

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We may also wish to work out jointly an arrangement for the

preparation by the Italian Government of a periodic summary of negotiations completed or pending with other Governments.

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6. It will no longer be necessary for the Italian Government to obtain approval of the Allied Commission for Italian appointments, whether to national or local offices, in territory under the jurisdiction of the Italian Government, except with regard to the attached list (Appendix "A") of positions having military significance.

7. The Allied Commission officers stationed in the field in the **4288** territory under the jurisdiction of the Italian Government will be withdrawn as soon as possible. Representatives of the Allied Commission will, however, be sent into territory under the jurisdiction of the Italian Government when it considers such action necessary.

In line with this policy, it is intended to abolish by 1945 the Regional Offices of the Allied Commission for Sicily, Sardinia, Southern and Lazio-Umbria Regions.

For a limited period certain specialist officers on economic functions will remain in territory under the jurisdiction of the Italian Government. A list of such specialist officers, and their functions, will be notified to you shortly.

8. It is the desire of the Allies to encourage free trade in knowledge and learning with the Italian people. As far as the exigencies of the military situation permit, arrangements will be facilitated for the flow between Italy and the United Nations of books and other publications of a scientific, political, philosophical and artistic nature, and for the movement of scholars, artists and professional men between Italy and the United Nations.

9. It is the desire of the Allies to encourage the holding of elections for local public offices in territory under the jurisdiction of the Italian Government.

10. The Allied Nations desire to make concessions with regard to Italian prisoners of war now or hereafter held in Italy, other than those captured since the Armistice was signed. Provided that the Italian Government can give an adequate assurance that the services of such persons will continue to be made available on terms satisfactory to the Supreme Allied Commander, their status as prisoners of war will be terminated.

11. The Allied Commission will limit its dealings with respect to territory under the jurisdiction of the Italian Government to consultation with and advice to the ministers of the Italian Government.

12. It is our intention that, in respect of Italian Government territory, the advisory functions of the Education, Monuments & Fine Arts, Local Government, Legal and Labour Sub-Commissions should only be performed when requested by your Government.

13. It is essential that the Italian Government formulate and implement

scientific, political, philosophical and artistic nature, and for the movement of scholars, artists and professional men between Italy and the United Nations.

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11. The Allied Commission will limit its dealings with respect to territory under the jurisdiction of the Italian Government to consultation with and advice to the ministers of the Italian Government.

12. It is our intention that, in respect of Italian Government territory, the advisory functions of the Education, Monuments & Fine Arts, Local Government, Legal and Labour Sub-Commissions should only be performed when requested by your Government.

13. It is essential that the Italian Government formulate and implement appropriate economic controls and take all other steps possible both in order to ensure that maximum production and effective and equitable distribution and control of consumption of local resources possible under existing conditions be secured and as a prerequisite to increased economic assistance.

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14. In the joint programs of essential Italian imports, now being prepared by the Inter-Ministerial Committee for Reconstruction and the Economic Section of this Commission, there will be some supplies for which the combined US-UK military authorities will assume responsibility for procurement (Category "L") and other supplies for which they will not assume responsibility (Category "B"). For your information a definition of the supplies which fall into Category "L" follows:

(a) Those quantities of agreed essential supplies necessary to prevent disease and unrest prejudicial to military operations, such as, food, fuel, clothing, medical and sanitary supplies.

(b) Those supplies, the importation of which will reduce military requirements for the import of essential civilian supplies for the purpose referred to in this paragraph, such as, fertilizer, raw materials, machinery and equipment. When requisitions are being prepared and considered the time when ^{combined} US-UK military responsibility will terminate will not be known. The importation of supplies under this sub-paragraph, therefore, will not be excluded merely because the effect of such imports may not be felt during the period of combined military responsibility.

(c) Those materials essential for the rehabilitation of such of the Italian communication facilities, power systems and transportation facilities as will further the military effort against Germany and Japan.

15. The programs for which the military authorities assume responsibility will be maintained for the duration of combined (US-UK) operations **4286**. For this period, and within the limits defined in para 14, Italy will be treated as a whole. The date of the termination of military responsibility

(a) These quantities of agreed essential supplies necessary to prevent

disease and unrest prejudicial to military operations, such as, food, fuel, clothing, medical and sanitary supplies.

(b) Those supplies, the importation of which will reduce military requirements for the import of essential civilian supplies for the purpose referred to in this paragraph, such as, fertilizer, raw materials, machinery and equipment. When requisitions are being prepared and considered the time when ^{combined} US-UK military responsibility will terminate will not be known. The importation of supplies under this sub-paragraph, therefore, will not be excluded merely because the effect of such imports may not be felt during the period of combined military responsibility.

(c) These materials essential for the rehabilitation of such of the Italian communication facilities, power systems and transportation facilities as will further the military effort against Germany and Japan.

15. The programme for which the military authorities assume responsibility will be maintained for the duration of combined (US-UK) operations **4286**. For this period, and within the limits defined in para 14, Italy will be treated as a whole. The date of the termination of military responsibility will be fixed by the Allied Nations.

16. In addition to the programme of supplies for which the military assume responsibility for procurement (Category "1.") it will be our intention to assist your Government in the preparation of programmes of supplies designed to rehabilitate Italian industry. Such programmes, which we refer to as Category "B", are to be handled under procedures already notified to you in

my letter of . It has been agreed that the purchasing of supplies in Category "B" programmes should immediately be undertaken, without reference to the present difficult shipping position in order that the supplies

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so purchased may be called forward as and when shipping space becomes available.

17. It is the desire of the Allies that industrial rehabilitation in Italy be carried out by the Italian Government to the fullest extent permitted by Italian resources and such supplies as it may be possible to import under the terms of Paras 14, 15 and 16 above, and subject to the limitation in para 20 below. The sole exception to this principle is to be made in the case of industries involving the production or repair of munitions or other implements of war, which should be rehabilitated only to the extent required by the Supreme Allied Commander in the discharge of his military mission, and to the extent necessary to further the military effort in other theatres. It is contemplated that the priority order in which Italian industry will be rehabilitated (after the rehabilitation of industries essential for Allied military purposes) will be determined by the Italian Government, with the assistance and advice of the Allied Commission.

18. It is desired to make clear that the prime responsibility for the control of inflation in Italy, including the imposition and administration of the appropriate financial controls and economic controls, and appropriate utilization of supplies, rests with the Italian Government. In this connection, as in others, the Allied Commission stands ready to advise and assist you.

19. The extent to which exports are to be stimulated and the development of machinery to handle export trade are for determination by the Italian Government. For the time being, the Italian export programme will necessarily be limited by certain shipping, military, financial and supply factors which are controlled by the Allied Governments for purposes connected with the prosecution of the war. The applicability of these factors to individual programmes is to be worked out between your Government and

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made in the case of industries involving the production or repair of munitions or other implements of war, which should be rehabilitated only to the extent required by the Supreme Allied Commander in the discharge of his military mission, and to the extent necessary to further the military effort in other theatres. It is contemplated that the priority criterion in which Italian industry will be rehabilitated (after the rehabilitation of industries essential for Allied military purposes) will be determined by the Italian Government, with the assistance and advice of the Allied Commission.

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19. The extent to which exports are to be stimulated and the development of machinery to handle export trade are for determination by the Italian Government. For the time being, the Italian export programme will necessarily be limited by certain shipping, military, financial and supply factors which are controlled by the Allied Governments for purposes connected with the prosecution of the war. The applicability of these factors to individual programmes is to be worked out between your Government and the Economic Section, along the lines already discussed by the Economic Section with the Inter-Ministerial Committee for Reconstruction.

20. Nothing in this letter should be taken as constituting a commitment by the Allied Nations with respect to shipping. Any supplies to be imported into Italy must be transported within such shipping as may be allocated from time to time by the Allied Nations.

GALERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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ANNEXURE "C" to 4001/EG
 Dated 19 February 1945.

MEMORANDUM SHOWING SOME OF THE FUNCTIONS
 OF THE ALLIED COMMISSION WHICH WILL CEASE
 UPON THE WITHDRAWAL OF ALLIED COMMISSION
 OFFICERS FROM ITALIAN GOVERNMENT TERRITORY.

1. Civil Affairs Section.

- (a) Advice on maintenance of law and order: organisation of police: stimulation Italian Courts of Law, particularly in dealing with offences against Allied troops.
- (b) Distribution of medical supplies: assistance in organisation of civilian hospitals.
- (c) Treatment of civilian epidemics and diseases such as typhus, smallpox, diphtheria, etc., except that a team of officers stationed in NAPLES may be available to deal with typhus or malaria in an advisory capacity.
- (d) Appointment, transfer, promotion or dismissal of Italian officials.
- (e) Italian refugees and partisans.
- (f) Derequisitioning of schools, distribution of educational books.
- (g) Preservation of monuments and fine arts.
- (h) Epuration and defascistization.
- (i) Mine Clearance.
- (j) Welfare in devastated areas.

2. Economic Section.

- (a) Commerce Sub-Commission. Export trade: reprocessing of salvaged clothing and footwear: uncovering of availabilities of local resources.
- (b) Industry Sub-Commission. Advice on sugar production: paper production: caustic soda and chlorine: sulphur mining: automobile spare parts: cement and bricks: requisitioning and demobilization of factories and industries.
- (c) Public Works & Utilities Sub-Commission. All work on military and secondary highways: reconstruction and maintenance of

- (a) Advice on maintenance of law and order: organization of police: stimulation of Italian Courts of Law, particularly in dealing with offences against allied troops.
 - (b) Distribution of medical supplies: resistance in organization of civilian hospitals.
 - (c) Treatment of civilian epidemics and diseases such as typhus, smallpox, diphtheria, etc., except that a team of officers stationed in NAPLES may be available to deal with typhus or malaria in an advisory capacity.
 - (d) Appointment, transfer, promotion or dismissal of Italian officials.
 - (e) Italian refugees and partisans.
 - (f) Demobilization of schools, distribution of educational books.
 - (g) Preservation of monuments and fine arts.
 - (h) Evacuation and defascistization.
 - (i) Mine Clearance.
 - (j) Welfare in devastated areas.
2. Economic Section.
- (a) Commerce Sub-Commission. Export trade: reprocessing of salvaged clothing and footwear: uncovering of availabilities of local resources.
 - (b) Industry Sub-Commission. Advice on sugar production: paper production: caustic soda and chlorine: sulphur mining: automobile spare parts: cement and bricks: requisitioning and demobilization of factories and industries. 4284
 - (c) Public Works & Utilities Sub-Commission. All work on military and secondary highways: reconstruction and maintenance of electric power plants and transmission lines.
 - (d) Food Sub-Commission. Port clearance: checking and reporting of ship unloadings: movement of supplies to the interior: prevention of pilferage: procurement and movement of local resources to devastated areas.
 - (e) Labour Sub-Commission. Prevention of strikes and labour unrest: wages.
 - (f) Finance Sub-Commission. Intervention where the Italian Government fail to make financial provision for essential services, many of which affect military interests.
 - (g) Transportation Sub-Commission. Coordination of civilian traffic with military traffic: clearance of rail wagers: movements work.

