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

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Supplies To
Oct. 1944-JA

1375

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

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Supplies To Italy
Oct. 1944-Jan. 1945

1376

JI/ak

INTER OFFICE MEMO

19 January, 1945

Tel: 478637

Ref: 30-10/150/FOSE

SUBJECT: Imports of Food from Tangier.

FROM : Food Sub-Commission.

TO : Commerce Sub-Commission.

1. The attached correspondence is forwarded for necessary action by you, please. This proposal to import 30 tons of dried fish has our fullest approval, and it is hoped that the transaction can be completed.

For the Chief Commissioner:

W. L. Long

W. L. LONG
Colonel

Director, Food Sub-Commission

Copy to:
Political Branch.

C O P Y

ALLIED COMMISSION
INTER-OFFICE MEMORANDUM

17 January, 1945

SUBJECT: Signor U. MONTI - offer to import food from Tangier.

TO : Food S/C.

Pl. see the attached memo. from the It. My. F.A. (6/124/61 of Jan. 10th).

I should be grateful for your comments.

(Sd. A.V. HALFORD
for N/V.P. (Br.)

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COPY

6/124/61

MINISTERO DEGLI AFFARI ESTERI

MEMORANDUM FOR THE POLITICAL SECTION A.C.

Signor Umberto MONTI, an Italian citizen, head of an exports firm in Tangier, has proposed to supply Italy with food and particularly dry fish, adding that he could also take care of its transportation, if need be, through a 900-ton fishing motorboat.

Signor Monti would be willing to accept the countervalue in goods and has shown interest in receiving citric acid, the production of which is now being resumed in Sicily.

The Ministry of Industry and Commerce has requested the previous consent of the Allied Authorities in order to examine said offer.

The amount of the transaction will not be beyond 300 tons.

Owing to the difficult food situation in Italy it would be desirable if Signor Monti's offer could be taken into benevolent consideration and the Ministry for Foreign Affairs thank the A.C. for the steps they will see fit to take in the matter. (Ins. EAL)

Rome, 10th January, 1945

MINISTERO DEGLI AFFARI ESTERI
UFFICIO COLLABORATO

No. 5/1004/220

MEMORANDUM FOR THE POLITICAL SECTION, A.O.

President Roosevelt's declaration of last October sets forth that "the authority of the United States Army, in so far as regards the supply of essential materials for the civil population of liberated Italy, will cease on a date to be established, and will be replaced by the direct authority and responsibility of the Italian Government, both as regards the financing of the aforesaid materials essential to the needs of the civil population, and as regards other indispensable expenses incurred abroad by the Italian Government."

In order that Italy may assume that task, the Government of the United States have placed at its disposal the amounts in dollars corresponding to the Al-Lire issued or to be issued for payment of the American occupation troops in Italy, the proceeds of merchandise exorted by Italy for the account of the United States, the amount in dollars corresponding to remittances made by Italian citizens or resident in the United States to relatives or friends in Italy, and finally the amount of freight charges earned by Italian ships placed in the "pool" and operating in the service of the United Nations.

The Royal Government have already expressed their appreciation for the concessions made to Italy by the President of the United States. They recognize that these concessions constitute a first step toward that economic and financial independancy which belongs to the sovereignty of any state and which is all the more necessary in view of the fact that only the legitimate Government of a State can evaluate accurately and seek to satisfy the essential needs of its population. However, the Ministry of Foreign Affairs consider it to be their

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In the first place it is evident that at the best the concessions mentioned above can serve only to diminish the enormous sufferings of the Italian people and the great scarcity of goods in the markets resulting from the war and from destructions, looting and requisitions carried out by the Germans.

These conditions cannot therefore constitute more than the beginning of a solution of the country's grave problem of economic reconstruction, without which it will be impossible to provide labor to the unemployed masses, set the Italian economic machine again in action, revive confidence, and give the country political stability.

The Ministry of Foreign Affairs are convinced that the Governments of the United States and Great Britain, which have already given so many proofs of solicitude for the Italian people, and which by solemn declarations have manifested their intention to contribute to Italy's economic and political rebirth, will be in agreement in considering the measures mentioned above as belonging to the sphere of relief and not to that of economic reconstruction.

For the accomplishment of the latter, three conditions are indispensable, which may be summarized briefly as follows:

1) The necessity of important long-term credits to be spent in the United States and Great Britain for the purpose of procuring for Italy foods, raw materials, and machinery required for setting in motion the industries which remain undamaged by the war, or which, although damaged, may in some degree be repaired.

2) Revival of commercial relations with all countries of the world on a basis of equality.

3) The making available of the means of transportation which are indispensable for the normal development of foreign commerce, and especially of mercantile shipping; without which Italy, a country facing entirely towards

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3) The making available of the means of transportation which are indispensable for the normal development of foreign commerce, and especially of mercantile shipping; without which Italy, a country facing entirely towards the sea, would find it impossible to re-establish commercial relations with the greater part of the countries of the world.

As regards the first point, it is evident that the recourse to dollars

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actually accumulated to the credit of Italy for the items indicated in the declaration of the President of the United States constitute assets belonging to Italy and do not arise from the opening of credits. Moreover, these assets are so great that they will barely suffice to meet the most urgent and essential requirements. The financing arrangement which Italy needs must serve for reconstructing highways, ports, the railway system, public and private buildings, factories; for reconstituting stocks of raw materials; for the importation of machinery and other essential finished products until the Italian factories are in a position to produce them; etc.

In the absence of knowledge as to the destructions and the resources which the Germans will carry out in non-liberated Italy prior to liberation, the magnitude of Italy's needs for economic reconstruction cannot yet be determined, but it can be affirmed that such needs will be vast.

Important credits therefore will have to be granted to Italy to permit that country to reconstruct its own economy, to start the functioning of its productive machinery so as to provide work to the vast masses of unemployed. It should be born in mind that when northern Italy is liberated there must be faced a social problem of grave importance; that of giving sustenance to the working masses who will not find employment in the factories destroyed or looted by the Germans. At that time the need of reconstruction, and especially of industrial reconstruction, will appear still more important and urgent than it does now.

As regards the second point, namely, the revival of commerce with all the countries of the world, the necessity for this is evident, as it is impossible to reconstruct the economy of a country without rejoining the threads which united it politically, economically and financially with the other countries of the world.

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The United States and England have requested, also in their own interest, that the import and export traffic which is at present carried on between them and Italy be regulated, and in this connection have sought the collaboration of

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the Italian Government so as to avoid certain inconveniences to which such traffic might give rise.

The Italian Government have declared themselves willing to place at the disposal of the Allies the organization of the "Istituto per il Commercio Estero", but since not even that Institute would be able to assume the financial responsibility of importing from the United States and England, it will be constrained to have recourse to the activity of special organisms which will receive merchandising on consignment at the moment of unloading and at the same time pay for it the amount involved. These same organisms will then arrange for the distribution of the goods to bodies or organisms of a provincial character, which, in turn, will resell them to retailers. It is evident that this organization is bound to produce very grave inconveniences, for it will be impossible to arrange for the participation in the above-mentioned organisms of all commercial firms which formerly operated in the free market. There will inevitably be constituted, therefore, organisms of a more or less monopolistic character, which will have all of the inconveniences inherent in organisms of monopoly. Furthermore, a large part of the Italian commercial organization will be lost, or for a more or less protracted period will be placed in a situation whereby it will be impossible to function. And by the Italian commercial class is meant not only wholesale and retail merchants, but all of that category of intermediaries and collaborators in commerce (representatives, forwarding agents, insurers, bankers, ships charterers, etc.) who constitute a substantial part of the merchantile activity of the country.

To this inconveniences is to be added that which is still graver, namely, the polarization of Italy's commercial relations toward only two markets, fundamental and important though these may be, and the pressing on the traffic between Italy and the two countries mentioned above a static character and almost

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To this inconvenience is to be added that which is still graver, namely, the polarization of Italy's commercial relations toward only two markets, fundamental and important though these may be, and the imposing on the traffic between Italy and the two countries mentioned above a State character and almost a monopolistic character.

The Italian Government strongly desires to give the greatest growth to its

economic relations with the United States of America, not only because such relations must constitute the basis of those sound and friendly political relations which Italy desires to maintain and develop, but also because the United States of America, in view of its financial and industrial power is in a position more than any other country to assist in Italy's economic revival. The case is to be said as regards the future relations with Great Britain. However, although desiring that the structure of future commercial relations must take account of the peculiar situation of the present and immediate post-war period, the Italian Government believes that these relations must be stamped with criteria of liberty and not founded on under many aspects are founded the interchanges at present contemplated, on a basis of interchanges between government and government.

Considering that today production is strictly controlled by the Government of the United States of America, and that in order to be able to export merchandise it is necessary to obtain the declaration of priority from the competent American offices, it is evident that the mechanism for importations and exportations between Italy and the United States of America cannot be greatly different from the above described. Notwithstanding this, in view of the grave inconveniences to which that mechanism will certainly give rise and the damage which its installation will produce to a large part of the Italian commercial class, it is desirable that at the earliest possible moment a normal character be restored to the commercial relations between Italy and the United States, as well as to those with Italy and Great Britain; this is certainly the desire both of the Royal Government and of the Governments of the United States and of Great Britain.

However, even if this should materialize, the situation of Italy would be abnormal unless it should be permitted to resume free commercial relations with

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However, even if this should materialize, the situation of Italy would be abnormal unless it should be permitted to resume free commercial relations with the other countries of the world. If there is a country which has suffered severely from the insane attempt to close itself within itself that country is certainly Italy, poor in raw materials and rich in industrious workers; a country densely

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populated and capable of large emigration; a country needing, in brief, to seek beyond the narrow circle of its own territory the means of subsistence and prosperity.

In the present situation, Italy is a country estranged from the rest of the world, prevented from reuniting commercial relations, from sending abroad its emigrants, from reviving, in short that collaboration in the spiritual and economic field which constitutes the essential condition of international life.

The Italian Government, following the concessions made by the Allies, are preparing to resume diplomatic relations with all countries of the world; but if Italy cannot reestablish regular commercial relations with the countries with which it has resumed diplomatic relations, the resumption of such relations cannot accomplish more than a part, and perhaps a small part, of the aims to which it aspires.

The Ministry of Foreign Affairs fully recognizes that it is not the intention of the Government of the United States and of that of Great Britain to perpetuate so absurd a situation, but it cannot understand why the re-establishment of diplomatic relations should not go hand-in-hand with the re-establishment of commercial relations. It appears that this must be admitted all the more easily, since the war, or even the simple rupture of diplomatic relations, has interrupted not only commercial relations, but has had grave repercussions on the economic and financial interests of Italy in the other countries of the world, as well as of those countries in Italy; so that the revival of normal commercial relations, presupposing the resumption of interests which have been destroyed or damaged or the elimination or resolution of the grave questions which have arisen, will be slow and difficult and will require precious time not to be lost.

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The Ministry of Foreign Affairs considers it to be superfluous to insist on this question, not only because of the evidence of the reasons which have been adduced, but also because the Roosevelt-Churchill Hyde Park Declaration

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explicitly affirms "that the application of the regulations with regard to commerce with the enemy will be modified with respect to Italy in a manner to permit commercial contact of Italy with foreign countries so as to benefit the Italian people."

This declaration has been understood by Italian public opinion as referring to an early normalization of Italy's conditions as regards traffic with foreign countries, and the Ministry of Foreign Affairs is confident that such is the intention of the Governments of the United States and Great Britain.

The recent facilities provided by the administration of the United States of America in the matter of correspondence by telegraph and letter between Italian commercial firms and American firms constitute a first indication of the benevolent intentions of the Government of the United States, but these evidently cannot represent, even in small part, the fulfillment of the promise above recorded.

The Ministry of Foreign Affairs recognizes that opposed to the revival of Commercial relations with foreign countries are a few material difficulties which certainly are not easy to surmount, but it believes that with the collaboration of the United States and Great Britain, and that of the other countries with which it is preparing to renew commercial relations, such difficulties may be overcome.

Among these the most grave is lack of mercantile ships. Because of the geographic position of Italy and its peninsular configuration, traffic between it and other countries is conducted predominantly by sea. In 1908, over twenty millions tons of merchandise were unloaded in Italian ports.

Italy had before the war a mercantile fleet of approximately 3,500,000 tons; which, however, was not sufficient to meet the needs of its maritime traffic, so that it was necessary to have recourse for over 40 per cent to

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Italy had before the war a mercantile fleet of approximately 3,300,000 tons; which, however, was not sufficient to meet the needs of its maritime traffic, so that it was necessary to have recourse for over 40 per cent to foreign shipping.

The Italian mercantile fleet had suffered enormous losses because of the war, and its tonnage now amounts to one million gross tons, of which the greatest

part, concentrated by the United Nations and placed in the "pool", navigated in the service of the United Nations, while the smaller part in the Mediterranean navigation almost exclusively in the military service of the Allies.

One of the first necessities of the Italian economy is the reconstruction of the mercantile fleet; of a mercantile fleet adequate for Italy's new situation, and one which takes due account of the just interests of foreign shipping. But this necessity cannot be satisfied with the same urgency as the other necessity, of much greater scope and importance - that of reknitting commercial relations with all countries of the world.

It is indispensable therefore that a certain tonnage be placed at the disposal of Italy, which, together with aid that can be given from shipping of other flags, would ensure to Italy, if only within the limits of the strictest requirements, means of maritime transportation for the revival of international traffic.

The United States and Great Britain, utilizing their ships and those placed in the "pool" of the United Nations, among which are also Italian ships, have up to now provided for the transportation of the most essential supplies for the civilian population. A part therefore of the available mercantile shipping of the United Nations is now already engaged in traffic with Italy and a larger part must be soon employed for that use in order to give greater breadth and variety to supplies, which is urgently required by the growing and irrepressible needs of the civilian population and by the necessity, no longer possible of deferment, of initiating the economic reconstruction of the country, so that the Italian people with their own forces may provide for their own needs.

On the other hand, the declaration of President Roosevelt, referred to at the beginning of this note, sets forth that the freight charges of the Italian ships forming part of the United Nations "pool" will be credited, be-

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On the other hand, the declaration of President Roosevelt, referred to at the beginning of this note, sets forth that the freight charges of the Italian ships forming part of the United Nations "pool" will be credited, beginning with a date to be established, to the account in dollars set up in favor of the Italian Government.

Finally, it is necessary to bear in mind that for more than a year Italy has not been an enemy nation, but rather a co-belligerent, that it participates

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In the war effort of the Allies in the greatest measure permitted by the Allies themselves, and that this new situation should be reflected in the jurisdictional situation created by the war and by measures adopted by the United Nations with respect to Italian merchantile shipping now included in the above-mentioned "pool".

The situation of fact thus outlined and the considerations developed above justify, in the opinion of the Royal Government, the request, which it considers that it may formulate; namely, that the ships which belonged to Italy be placed again at the Italian Government's disposal, or that there be placed at its disposal an equal tonnage of ships forming part of the "pool".

Such ships - in case it should not be wished to place them at the free disposal of the Royal Government - could remain in the "pool", but in such case the organ for their operation should, with the participation also of representatives of the Italian Merchantile Marine Administration, take into consideration the necessities of Italian maritime traffic as brought to their attention by the aforesaid representatives.

The Ministry of Foreign Affairs have confidence that by this solution, or by another of analogous nature which could be devised, it would be possible to eliminate the greatest inconvenience; which would be met if Italy, after having reestablished diplomatic relations with the various countries of the world and having obtained the possibility of resuming its commercial relations with them, should not have the ships indispensable for the exercise of the traffic or if the operation of such ships should have to be regulated solely by foreign flags.

The Ministry of Foreign Affairs hope that the considerations set forth above will be taken into benevolent consideration and that the questions of vital interest for Italy and to which they have called the Allied Governments

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The Ministry of Foreign Affairs hope that the considerations set forth above will be taken into benevolent consideration and that the questions of vital interest for Italy and to which they have called the Allied Governments' attention may be promptly and favorably resolved.

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8 December 1944

MEMORANDUM.

At the present time definite replies cannot be made in connection with all the questions which Commodore Stone has raised concerning the financial arrangement of the United States in the matter of civilian supplies. The following discussion relates to these questions.

- (a) The date on which the United States Army will relinquish its responsibility for procurement has not been decided upon. The continuance for some months of procurement by it of items of basic relief is a possibility. This plan for financing contemplates a financing method of supplemental character, by which, before the military program terminates, types of items could be financed with respect to which no responsibility will be assumed by the Army.
- (b) Assumption by ACG that there is only included the dollars equivalent of lire issued to the troops in Italy is correct.
- (c) Under (b) approximately 135 million dollars is estimated now to have accumulated. Since COMS has now under consideration the question of providing financial information to the Government of Italy, this figure is not at the present time to be transmitted to that Government.
- (d) The assumption of ACG is correct that the proceeds meant certain only to exports from Italy to the United States. On the other hand all dollar remittances regardless of whether these have their origin in the United States or in other countries would be included in the remittances.
- (e) That the Italian Government be informed that an arrangement will be sought jointly by the Governments of the United States and Great Britain is not desirable.

October 18, 1944.

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(b) Assumption by AGO that there is only included the dollars equivalent of lire issued to the troops in Italy is correct.

(c) Under (b) approximately 155 million dollars is estimated now to have accumulated. Since GAO has now under consideration the question of providing financial information to the Government of Italy, this figure is not at the present time to be transmitted to that Government.

(d) The assumption of AGO is correct that the proceeds recent pertain only to exports from Italy to the United States. On the other hand all dollar remittances regardless of whether these have their origin in the United States or in other countries would be included in the remittances.

(e) That the Italian Government be informed that an arrangement will be sought jointly by the Governments of the United States and Great Britain is not desirable.

October 13, 1944.

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HQ A.C.C. ECONOMIC SECTION

22 Oct 44

(Date)

Fr. A. G. ANTOLINI

To

	ECONOMIC SECTION	
	AGRICULTURE SUB-COMMISSION	
	COMMERCE " "	
	FINANCE " "	
	FOOD " "	
	INDUSTRY " "	
	LABOR " "	
	P. H. & U. " "	
	REQUISITION DIVISION	
	TRANSPORTATION SUB-COM.	
	SHIPPING SUB-COMMISSION	
	CHIEF COMMISSIONER	
	CHIEF OF STAFF	
	DEPUTY CHIEF OF STAFF	
	CIVIL AFFAIRS SECTION	
	ESTABLISHMENT SECTION	
For:	Approved for action	
	Remarks/Recommendation	
	Investigation & Report	
X	Information	
	Noting and Return	
	Noting and Retention	
	Signature	
	Dispatch	
	File copy	
	Noting & circulation	

Remarks:

MR. SHOTT
(Political Sub-Commission)

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

Thursday 4:30

October 13, 1944

My dear Sir:

You will, I am sure, agree that the time has come when we must face the facts of the present food distribution problem. I have no hesitance to indicate to you the situation is extremely grave. In light of the responsibility that rests with you, I feel it is imperative that we meet together to outline an action program.

To this end I respectfully request a meeting in my office on Tuesday, October 17 at 4:30 p.m. (1630 hrs.). So that you may be prepared for this meeting I submit for your consideration the following points on the agenda:

1. Rationing.
2. Barter.
3. Review of restrictions and controls in the distributive mechanism.
4. The movement of supply from surplus to deficit areas.
5. Review of the fishing industry restrictions.

In order that we may all point our discussion to the problem; perhaps it would be advisable to spell out, in brief, a few of the salient issues under each point of the agenda.

1. Rationing - The extremely short supply of both imported and domestic foods, coupled with transportation, makes it imperative that a realistic inventory of the present mechanism be reviewed. Questions that arise in this review are:

(a) Is the maximum effective use being obtained of the present available supply? If not, why not?

(b) Are the geographical features of this country recognized in the present rationing scheme? If not, why not?

(c) Are the rationed commodities equitably distributed in the proper relationship of the need? If not, why not?

(d) If bread is to be maintained on a universal basis, can we establish a selective rationing scheme for the products in the miscellaneous group of the ration diet?

2. Barter - Review and consideration might be given to the establishment immediately of certain practical and simple barter schemes to induce supply. The most outstanding example is the use of salt from Santa Margherita to induce the supply of potatoes from Avezzano. Will this approach foster the flow of supply? If not, why not? Are there sufficient significant items, such as salt, lacking in other areas which could be introduced? If not, why not? Will this mechanism offset the need of price increases? If not, why not?

- 2 -

3. Review of Restrictions and controls in the distributive mechanism - This is an extremely controversial point but it must be faced and the criterion must be one to attain the most practical and effective result of food distribution. The theories of control are well understood. The practical aspects of free distribution are significantly required. If permit controls and all other restrictions on the movement of goods are to be eliminated would it be effective to limit this freedom to all commodities except Grain, Fats and Oils and milk products? If not, why not? How far can we eliminate controls without endangering transport control as envisaged by ANSO? What and must we reach in order to enforce so much unrationed supply and what effect will it have on the cities and of the poor in the cities? What advantage have we in blocking pulses?

4. The movement of goods from surplus to deficit areas - Without reflection on the ANSO plan, and eliminating all pride of authorship, is this a practical plan for the emergency needs of transport feeding us today? If it is determined that ANSO is administratively burdensome and operatively ineffective, serious consideration must be made to correct the situation and introduce some practical effective ad hoc program. There is no mystery to the transportation problem as such. There just isn't sufficient transport to cater to the urgent needs of liberated Italy. Hence, we must quickly and efficiently review and inventory what we have and operate it to its maximum use.

5. Review of the fishing industry restrictions - It is imperative that we have a clear understanding of the important role the fishing industry can play in supplementing the national food position. This Commission is prepared to present a clear operational program to the Naval Command based on recommendations of the Italian Government.

Any direct action taken by the Government, if it reflects expediency measures to face a serious national problem, would be warmly applauded by your constituents. I would sincerely request that you be prepared to come to this meeting with the single purpose of finding an immediate solution to effect this result.

As I anticipate that this meeting will last until 7:00, I would be very pleased to have you join me at dinner so that we may there review and formulate the action program considered at the meeting. I have requested the following Ministers to attend and to dine with me: His Excellency Minister Gulio, His Excellency Minister Gronchi and His Excellency Under Secretary of Agriculture Bergami.

Sincerely yours,

A. G. AMORINI
Acting Deputy Chief of Staff
Economic Section

Mr. avv. Francesco Cerabona
Minister of Communications
Italian Government, Rome

213

SECRET
AFHQ MESSAGE CENTER
INCOMING MESSAGE

WAVE

Filed 11:110 Z

AFSC M-722/12
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eam

PRIORITY

FROM: AGWAR CCS

TO: AFHQ TO WILSON INFORMATION UK BASE SECTION FOR BCS AND TO COMMUNICATION ZONE

REF NO THIS MESSAGE: WA 44936, 11 October 1944

FOR FIGEC
Cite CCAC
TAM 309

UNRRA's authorization to assume responsibility for certain activities in Italy.

1. UNITED NATIONS Relief and Rehabilitation Administration is now authorized by its council to assume responsibility for displaced persons of UNITED NATIONS nationality in ITALY. UNRRA has informed CCAC that it is prepared at request of CCS to assume responsibility for camps already established for this purpose and to expand this program if necessary. Your early recommendations are requested regarding transfer of this responsibility to UNRRA. If you wish, UNRRA will be invited to send representatives to your Headquarters to discuss with you and to assist in preparing proposals for submission to CCS and discussion here with UNRRA Headquarters with view to agreement for early transfer.

2. In addition UNITED NATIONS Relief and Rehabilitation Administration has been authorized by its council to undertake operations in ITALY for following purposes:

- A. Provision of medical and sanitary aid and supplies.
- B. Assistance in care and return to their homes of displaced Italians.
- C. Care of and welfare services for children and nursing and expectant mothers.

Limit of expenditure by UNRRA presently authorized for these purposes is 50,000,000 dollars of foreign exchange.

3. UNRRA undertaking in ITALY operations as in paragraph 2 above is subject to approval by CCS of scheme for carrying out such operations. UNRRA has after discussion with CCAC representatives submitted tentative proposals, summary of which is given in following paragraphs. These tentative proposals do not represent a firm UNRRA program but are transmitted to you for your information as to the fields in which UNRRA desires to operate as soon as possible in ITALY and as a basis for UNRRA discussions with your representatives in the Theater. References to tonnages merely indicate the projected scope of the program. Problems concerning phasing, allocation of shipping, areas of operations and the like are to be discussed in the Theater. If you so desire, UNRRA is prepared to dispatch representatives immediately to your Headquarters to give you all possible assistance in your consideration of the proposals. It is suggested that you establish air priorities for a group of 6 UNRRA officials to visit Theater for this purpose. UNRRA has requested CCAC to convey UNRRA's anxiety for this group complete such plans as may be agreeable to you looking toward the general principles outlined herein, and subject to prior approval by the CCS on your recommendation.

- 2 -

before initiation of operations. The detailed arrangements within such general principles (including the extent to which you can make facilities available to UNRRA within ITALY) would be left to be worked out by you with UNRRA's representatives in the Theater. Any agreement to be made by the CCS with UNRRA on the subject would cover only general principles of the scope of UNRRA's operations and its relationship with the military. In any event, no agreement will be made by the CCS prior to receipt of your comments and recommendations.

4. Major part of UNRRA's operations would be care of and welfare services for children of school and pre-school age and nursing and expectant mothers. Intention is to provide supplies for these classes of population supplemental to and not in substitution for provision which can be made from other sources, for example, provision of supplies by military authorities within the scope of existing directives. UNRRA expects to confine assistance to approximately 1,700,000 children and 300,000 mothers. Recipients would be more serious cases of malnutrition mainly in larger cities. Program would furnish each child with up to 750 calories of additional food daily.

5. Estimate is that the total program in paragraph 2 above would as soon as practicable require 15,000 tons monthly, including dry skimmed milk, sugar, fats, flour, pulses, farina, fish, et cetera. Intention is that distribution would be primarily by Italian organization O.N.M.I. and Italian Ministry of Education. Exact method of distribution would be determined by agreement in field to meet local conditions.

6. As regards medical and sanitary aid and supplies UNRRA proposes to dispatch additional medical personnel to assist in restoration of Italian Public Health services and to furnish about 8,000,000 dollars worth medical and sanitary supplies, particularly items not now in military supply program. These supplies would be supplemental to those which may be included in military program. Plan of distribution is not finally decided but would probably in the main follow channels similar to those now used by ACC.

7. It is not at present proposed by UNRRA to present program for Italian displaced persons until further study has been made.

8. As UNRRA's intention is primarily to place responsibility for distribution on Italian Government or organizations UNRRA staff contemplated is small. At maximum it is anticipated that staff for purposes in paragraph 2 above would be 75 professional personnel including executives medical and technical and 80 clerical. Other personnel as needed would be recruited in Italy.

9. Resolution of UNRRA council authorizing these activities in Italy provides that operations shall be subject to such control as military command may find necessary. It is suggested that UNRRA should not operate as agent of military but as autonomous organization with control over its own personnel and programs subject however to compliance with general policies laid down by military authorities and overriding control of Theater Commander on all matters concerning or affecting military operations or security. Within such limitations UNRRA would be entitled to deal direct with the Italian Government and its agencies but would undertake to clear in advance with the appropriate military authorities all questions of general policy and to keep them informed of arrangements in full coordination.

10. In delivering supplies UNRRA would be free to establish prices and conditions of distribution, subject to Theater price policies and in consultation with military authorities.

- 3 -

11. UNRRA requests assistance from military on following matters in view of military control over supply shipping and inland transport and other aspects of internal economy in ITALY;

A. Inclusion in Theater Commanders shipping program of 15,000 tons monthly for UNRRA'S supplies as in paragraph 5 above additional to shipping for military relief supplies. UNRRA request that this should begin as early as possible, preferably by November 1,

B. Transfer for use in November and December from military stocks in ITALY or stocks afloat of 5,000 tons of foodstuffs of types in paragraph 5 above and to enable UNRRA to start operations in ROME and NAPLES without awaiting arrival of its own shipments. Such stocks to be reimbursable by UNRRA in cash or in kind. It is understood by UNRRA that possibility of making any such stocks available is for discussion in Theater.

C. Arrangements to be made where possible within Theater (subject to military operational requirements) for deliveries to UNRRA from military stocks against replacement from UNRRA supplies at later dates or at other points. Intention of this is to avoid delays in deliveries and unnecessary movements of supplies by sea or inland.

D. Use of storage warehouses and facilities for local transportation in Italy. UNRRA lays particular stress on request for assistance in transportation of supplies.

E. As regards UNRRA personnel, cooperation of military authorities with respect to transportation, accommodation, food, clothing, medical aid, communication facilities and use of post exchange of I.F.I. Payment to be made for all such supplies and services.

12. As regards paragraph 11 A it is agreed that the bid for necessary shipping for UNRRA'S supplies must be made by Theater. As regards paragraph 11 B it is understood that the question whether an advance can be made to UNRRA from Theater stock to enable operations to start as early as possible subject to repayment when UNRRA supplies are received must obviously depend on existing supply position in relation to present and anticipated military commitments including military responsibility for relief. As regards paragraph 11 C, D, and E it is considered that all possible cooperation should be given to UNRRA to enable them to carry out their task. However, the extent to which the various facilities can be made available by the military will not be made the subject of agreement here but must be left to be worked out by the military authorities with UNRRA in the Theater in the light of conditions prevailing from time to time.

13. Urgent reply is requested to this cable.

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CONFIDENTIAL

Pol Lec (2)

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COPY

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

CMB/TBJ/als

G-5: 092.3-1

5 September 1944

SUBJECT: Importation of UNRRA or other civilian agencies.

TO : Headquarters, Allied Control Commission, APO 394.
(Attention: Acting Chief Commissioner).

1. Reference is made to your a/CC 321 of 23 August 44.
2. At the present time UNRRA cannot operate in Italy or any other ex-enemy country and to enable it to do so will require specific decision from its Council. It is probable however, that the Council of UNRRA will take decision at its meeting on 15 September as to the extent to which UNRRA operations will be carried on in Italy.
3. Should the Director General of UNRRA approve the request that UNRRA provide relief for United Nations nationals in Italy, this could be done within existing authorities vested in him and would not need a specific resolution of the Council. It is thought possible that the Director General may agree to do so.
4. UNRRA activities in Italy before the withdrawal of ACG would be under the control of ACG. This follows on the application of UNRRA Council Resolution Number 1 which provides that,

"If it appears necessary for the Administration to operate in an enemy or ex-enemy area in carrying out the purpose of the Agreement, it will do so only from such a time and for such purposes as may be agreed upon between the military command, the established control authority or duly recognized administration of the area on the one hand and the Administration on the other, and subject to such control as the military command or the established control authority may find necessary; provided that the Council approve the scale and nature of the operations it is proposed to undertake and the standard of provision..."
5. It is considered that UNRRA operations generally in Italy could probably not begin for at least three months after the modification of the Council resolution and January 1 is suggested as a target date. A possible exception to such a time lag might however be found in the caring for United Nations Nationals in camps in Italy.
6. The above has been discussed with Governor Cochrane of UNRRA who is in agreement with the views expressed.

/s/ Charles M. Spofford
/t/ CHARLES M. SPOFFORD,
Colonel, G.S.C.,
Asst. Chief of Staff, G-5.

CONFIDENTIAL

HQ A.C.C. ECONOMIC SECTION

26 Oct 44
(Date)

Fr. A. G. ANTOLINI To

ECONOMIC SECTION	
AGRICULTURE SUB-COMMISSION	
COMMERCE	" "
FINANCE	" "
FOOD	" "
INDUSTRY	" "
LABOR	" "
P.W. & U.	" "
REQUISITION DIVISION	
TRANSPORTATION SUB-COM.	
SHIPPING SUB-COMMISSION	
CHIEF COMMISSIONER	
CHIEF OF STAFF	
DEPUTY CHIEF OF STAFF	
CIVIL AFFAIRS SECTION	
ESTABLISHMENT SECTION	
For: Appropriate action	
Remarks/Recommendation	
Investigation & Report	
Information	
Noting and Return	
Noting and Retention	
Signature	
Dispatch	
File copy	
Noting & circulation	

Remarks: MR. SCHOTT AND MR. CACCIA:

I regret I have only one copy of the attached. If you gentlemen feel you have any interest in this matter I am having a preliminary review with the various S/C's at 11:30 in my office prior to a meeting with the Italian Government re. the attached.

HC
Translation
WS

MINISTRY OF INDUSTRY, COMMERCE
AND LABOUR

Rome, 24th October 1944

MEMORANDUM

1. The Ministry of Industry, Commerce and Labour points out the opportunity of applying, as soon as possible, and officially, the system already agreed with the Commerce and Finance Sub-Commissions of the ACC on the new organization of imports in Italy of goods supplied by the Allied Countries and of exports of Italian goods bought by the same Allied Countries.

This organization - as it is known - is based, in so far as imports are concerned, upon the charge entrusted to the Istituto Commercio Estero to receive on behalf of the Italian Government (with certain exceptions) the goods to be supplied by the Allies to Italy and control and account for the transfer of these goods to the persons interested with the internal distribution or to the direct consumers. Likewise so far as exports are concerned, the I.C.E. will have the functions of coordinating and controlling the supply of Italian goods to Allied countries.

2. The Ministry is of the opinion that the said system is the best one, in the interest both of the Italian Government and of ACC, in the actual extraordinary situation of the Italian foreign trade.

The competent authorities and the Italian circles connected with foreign trade, however, consider it to be an urgent necessity for the economic reconstruction of Italy the revival as soon as possible of direct commercial relations between Italy and the Allied Nations. In this matter the Ministry of I.C.E. will largely utilize free commercial and industrial activity opportunely controlled and coordinated.

Concerning the provisional character of the regulation under No. 1, the Ministry of I.C.E. thinks it necessary, in any case, to insist that, to obtain a better application of the system, the following questions be settled previously.

3. In so far as imports in Italy of goods supplied by the Allies were concerned (excluding goods sent gratis for the relief of the needy among the population and goods destined to the Italian Armed Forces) it is requested:

a) that the goods be ordered in the future only upon

and Finance Sub-Commissions of the ACC on the new organization of imports in Italy of goods supplied by the Allied Countries and of exports of Italian goods bought by the same Allied Countries.

That organization as it is known is based, in so far as imports are concerned, upon the charge entrusted to the Istituto Commercio Estero to receive on behalf of the Italian Government (with certain exceptions) the goods to be supplied by the Allies to Italy and control and account for the transfer of these goods to the persons entrusted with the internal distribution or to the direct consumers. Likewise as far as exports are concerned, the I.C.E. will have the functions of coordinating and controlling the supply of Italian goods to Allied countries.

2. The Ministry is of the opinion that the said system is the best one, in the interest both of the Italian Government and of ACC, in the actual extraordinary situation of the Italian foreign trade.

The competent authorities and the Italian circles connected with foreign trade, however, consider it to be an urgent necessity for the economic reconstruction of Italy the revival as soon as possible of direct commercial relations between Italy and the Allied Nations. In this matter the Ministry of I.C.E. will largely utilize free commercial and industrial activity opportunely controlled and coordinated.

Concerning the provisional character of the regulation under No. 1, the Ministry of I.C.E. thinks it necessary, in any case, to insist that, to obtain a better application of the system, the following questions be settled previously.

3. In so far as imports in Italy of goods supplied by the Allies were concerned (excluding goods sent gratis for the relief of the needy among the population and goods destined to the Italian Armed Forces) it is requested:

a) that the goods be ordered in the future only upon requests formulated by Italian agencies, exclusively through the Ministry of I.C.E. and agreed between this Ministry and the competent ACC Sub-Commissions, fixing the quantities, qualities and types of the different goods. In matter of prices, we present our proposals under letter c).

This procedure should be followed for all goods, including pharmaceutical products, agricultural products and foodstuffs, for which the requests should be formulated by this Ministry in agreement respectively with the Ministry of Interior and the Ministry of Agriculture.

27/3

to emphasize the necessity that the same procedure be followed also for coal and petroleum supply, both for the sake of uniformity of basic policies and for the reasons that the Ministry of I.O.L. should control and discipline also imports and distribution of these fundamental raw materials.

b) That technicians sent or accredited by the Italian Government be put in a position to be able to determine in foreign markets the advisability of buying from one supplier rather than from another, to choose the types of goods most suitable for Italian consumers or to exercise at least a control on the goods before their shipment.

X c) That the Italian Government be put in a position to know the prices of goods supplied by the Allied Countries if possible before their shipment and at least not later than their arrival and delivery to the I.O.L., so that it may have a basis for fixing the sale price to Italian consumers. To this purpose we are strongly of the opinion that the determination of such prices should be made in the first instance by agreements between the technicians sent or accredited by the Italian Government and individual foreign suppliers or the agencies charged by the Allies with selecting supplies.

d) That a rule be fixed, according to which the goods supplied by the Allies must be invoiced at c.i.f. price, with a clause of delivery to the Italian port of destination.

e) That the competent Italian offices be put in a position to ascertain, through their representatives abroad, the situation of markets, prices, etc. for goods of interest to the Italian market.

f) That the Italian Government be authorized to subject the imports of goods to the normal customs operations and particularly to the collection of duties and other frontier fees (statistics, licence, etc.).

This request is made by reason of the necessity felt by the Italian Government of reestablishing, as soon as possible, (also in view of the possibility of an early revival of commercial exchange with other foreign countries) the normal controls on imports, both for statistical and fiscal purposes, because the Italian Government is not in the position, now that it has increasing financial exigencies to renounce to the collection of the same duties.

The request of the reestablishment of the normal functioning of the Italian

b) that technicians sent or authorized by the Government be put in a position to be able to determine in foreign markets the advisability of buying from one supplier rather than from another, to choose the types of goods most suitable for Italian consumers or to exercise at least a control on the goods before their shipment.

X c) That the Italian Government be put in a position to know the prices of goods supplied by the Allied countries if possible before their shipment and at least not later than arrival and delivery to the I.O., so that it may have a basis for fixing the sale price to its own consumers. To this purpose we are strongly of the opinion that the determination of such prices should be made in the light of instructions by agreements between our technicians and or accredited by the Italian Government and individual foreign suppliers or the agencies charged by the Allies with selecting supplies.

d) That a rule be fixed, according to which the goods supplied by the Allies must be invoiced at c.i.f. price, with a clause of delivery to the Italian port of destination.

e) That the competent Italian offices be put in a position to ascertain, through their representatives abroad, the situation of markets, prices, etc. for goods of interest to the Italian war effort.

f) That the Italian Government be authorized to subject the imports of goods to the normal customs operations and particularly to the collection of duties and other frontier fees (statistics, licence, etc.).

This request is made by reason of the necessity felt by the Italian Government of reestablishing, as soon as possible, (also in view of the possibility of an early revival of commercial exchange with other foreign countries) the normal controls on imports, both for statistical and financial purposes, because the Italian Government is not in the position, now that it has increasing financial exigencies to renounce to the collection of the same duties.

The question of the renewed functioning of the Italian custom offices and of the application of the custom tariff is now in discussion between the Finance Sub-Commission and the Italian Ministries of Finance and I.O.I. On this question detailed proposals will be submitted at an early date to the ACC.

In so far as the application of custom duties on goods supplied by the Allies is concerned (confirming the complete exception already decided for goods sent gratis for relief of the civilian population and for products destined to the Italian Armed Forces) we point out in general that the Italian

custom duties fixed in paper-lire, or a if modified according to the conventional rate of exchange, have not a very much reduced incidence on the value of the goods which in on the contrary considerably increased.

Notwithstanding this situation the Ministry of I.C.L. reserves for itself the right of deciding in agreement with the other Ministries concerned the reduction of the suspension of the actual duties, when the internal price situation should make it necessary.

g) That the specific proposals formulated by the I.C.L. to the Commerce and Finance Sub-Commissions be accepted, in so far as the practical execution of the operations of receiving and controlling goods is concerned and particularly with respect to the preliminary information to be communicated concerning goods already ordered, timely information on the forwarding and the arrival of the goods, the possibility of setting up its own offices and the ports of destinations, with officials accredited by the Italian Government to the Allied Authorities and authorized to control and take in consignment and even to be allowed to go on board of vessels. ~~Admitted~~ A special recommendation is made for the intervention of the Allied authorities to facilitate the assignment to the I.C.L. of means of transport and the granting of the necessary permits in order to enable its officials to transfer quickly from a place to another.

h) That the AGC concentrate all the work concerning the supply of goods in a single Sub-Commission, the Commerce Sub-Commission, so that the I.C.L. may receive instructions for the execution of the different operations from a single office.

A copy of letters concerning the said activity should be sent in any case to the Economic Section of the AGC.

i) In so far as exports from Italy of goods destined to Allied Countries are concerned, we ask:

a) That, from the date of signature of the agreement the offices or persons charged by the Allied Nations cease purchasing goods to be exported from individual Italian producers or merchants or accepting orders for sale made directly to the AGC by single Italian firms.

From the said date all the purchases should be made by the competent Allied organs by means of agreements to be reached with the Ministry of I.C.L. through the I.C.L. and to be concluded either each case individually or according to

g) That the specific proposals formulated by the I.C.C. to the Commerce and Finance Sub-Committees be accepted, in so far as the practical execution of the operations of receiving and controlling goods is concerned and particularly with respect to the preliminary information to be communicated concerning goods already ordered, timely information on the forwarding and the arrival of the goods, the possibility of settling up its own offices and the ports of destination, with officials requested by the Italian Government to the Allied authorities and authorized to control and take in consignment and even to be allowed to go on board of vessels, ~~Admitted~~ A special recommendation is made for the intervention of the Allied authorities to facilitate the assignment to the I.C.C. of means of transport and the granting of the necessary permits in order to enable its officials to transfer quickly from a place to another.

h) That the AGO concentrate all the work concerning the supply of goods in a single Sub-Committee, the Commerce Sub-Commission, so that the I.C.C. may receive instructions for the execution of the different operations from a single office.

A copy of letters concerning the said activity should be sent in any case to the Economic Section of the AGO.

i) In so far as exports from Italy of goods destined to Allied Countries are concerned, we ask:

a) -that, from the date of application of the agreement the offices or persons charged by the Allied Nations cease purchasing goods to be exported from individual Italian producers or merchants or accepting orders for sale made directly to the AGO by single Italian firms.

-that the said data all the purchases should be made by the competent Allied organs by means of agreements to be reached with the Ministry of I.C.C. through the I.C.C. and to be concluded either each case individually or according to a program of supply to be fixed for a certain period of time.

b) That a similar system be followed particularly for possible purchases of goods to be made by organs belonging to other Allied Countries which have their armed forces in Italy (Greece, Jugoslavia, etc.)

c) That technicians sent or requested by the Italian Government be put in a position to make inspection of the conditions of the Italian goods on their arrival in foreign markets and promoting particularly the interest of

firms operating in Allied countries, for the purchase of Italian goods, which are difficult to place or require special arrangements (for instance products of the "artisans")

d) That the competent Italian offices be put in a position of knowing, through their representatives abroad, the real situation of markets, prices, etc. for goods normally exported from Italy.

e) That the Italian Government be authorized to subject the exportation of the said products to normal custom operations including the collection of possible export duties and other fees (statistics, licence).

This request is made for the same reasons pointed out above in connection with goods to be supplied by the Allies.

f) That the procedure for the confirmation of contracts of purchase concluded by the ACC be settled upon and for such purpose that technicians charged by the Italian Government may have direct relations with the special agencies created in England and in U.S.A. for the centralization of such purchases.

The ACC should give the I.C.C. timely information of the arrival of ships in the port of loading, because in consideration of the present difficulties of transportation, it is necessary to leave time to prepare the shipment of the goods.

g) That the ACC concentrate all operations concerning the purchase of the Italian goods and the procedure to be followed in the Economic Sub-Commission alone in such manner that the I.C.C. may request and receive the necessary instructions for the execution of the various operations from a single office of the ACC.

A copy of the letters concerning this activity should be sent in any case to the Economic Section of the ACC.

h) That agencies and offices charged with the functions of purchasing goods in Italy receive special directives so that taking into consideration the special difficult situation existing in the different sectors of the Italian production and trade, they do not insist on asking prices and conditions corresponding strictly to those offered by international competition for the same products.

5) In conclusion we take this opportunity to point out the necessity that Italy be allowed as soon as possible to take up again its direct commercial relations with other foreign countries (neutral and collaborating) not only to satisfy the legitimate wishes of interested Italian circles, but also because the revival of such exchanges corresponds to a vital necessity in the reconstruction of Italian economic life.

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This request is made for the same reasons pointed out above in connection with goods to be supplied by the Allies.

f) That the procedure for the confirmation of contracts of purchase concluded by the ACC be settled upon and for such purpose that transactions carried by the Italian Government may have direct relations with the special agencies created in England and in U.S.A. for the neutralization of such purchases.

The ACC should give the I.C.I. timely information of the arrival of ships in the port of loading, because in consideration of the present difficulties of transportation, it is necessary to leave time to prepare the shipment of the goods.

g) That the ACC concentrate all operations concerning the purchase of the Italian goods and the procedure to be followed in the Commerce Sub-Commission alone in such manner that the I.C.I. may request and receive the necessary instructions for the execution of the various operations from a single office of the ACC.

A copy of the letters concerning this action should be sent in any case to the Economic Section of the ACC.

h) That agencies and offices charged with the functions of purchasing goods in Italy receive special directives so that taking into consideration the special difficult situation existing in the different sectors of the Italian production and trade, they do not insist on asking prices and conditions corresponding strictly to those offered by international competition for the same products.

5) In conclusion we take this opportunity to point out the necessity that Italy be allowed as soon as possible to take up again its direct commercial relations with other foreign countries (neutral and cobelligerent) not only to satisfy the legitimate wishes of interested Italian circles, but also because the revival of such exchanges corresponds to a vital necessity in the reconstruction of Italian economic life.

The Ministry of I.C.I. thinks that these exchanges will have to be controlled by the Italian Authorities before regards imports and exports and as regards foreign exchange operations.

CONFIDENTIAL

EWS/afe

A/GC 400.38

13 Oct 44.

My dear Prime Minister:

You will no doubt have read in the press the announcement of the President of the United States with respect to future financing of civilian supplies for Italy. We have just received a telegram from the U.S. State Department asking that your Government should be informed of the arrangements contemplated, which have been adopted after consultation with the British Government and I am attaching hereto a copy of the points which affect you.

In order that you and your Government can have a clear understanding of precisely what is intended, an urgent cable is being sent to this State Department requesting clarification on certain of the points involved, and as soon as a reply is received it will be communicated to you promptly.

In the meantime, therefore, I suggest that you consider the attached only as a preliminary outline of what is contemplated and that no public reference be made to the details of these arrangements until I am able to give you the further clarification for which we have asked.

Sincerely yours,

MILRY W. STONE
Commodore, USNR
Acting Chief Commissioner

His Excellency Ivanoe Bonomi
The President of Council of Ministers
Italian Government

cc: Sir Noel Charles
Hon. Alexander Kirk
G-5, AFHQ (2) (advance copy)
Chief of Staff, AGC
Economic Section
Finance Sub-Comm.
"A" Files.
Political Section

CONFIDENTIAL

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COPY.

1. The United States Army's responsibility will terminate as soon as practical as regards the procurement of requirements essential for the civilian population in Liberated Italy at that date under the jurisdiction of AGC.
2. For the financing of such essential requirements for Italian civilian use, and other Italian expenditure abroad which are indispensable, responsibility will be vested with the Government of Italy and the latter will be aided in assuming and exercising such responsibility by the following arrangements to be made by the Governments of the United States and Great Britain.
 3. For its part, the United States Government, with a view to making it possible for the Government of Italy to discharge its responsibility in the matter of foreign financing, will, as of the earliest possible:
 - a. Place to the credit of the Government of Italy or make available to it, the dollar equivalent which as of that date shall have accumulated and that which shall thereafter accrue of all the lire issued then. The Italian Government will use the dollars accruing to it from this source in purchasing supplies for essential relief and rehabilitation;
 - b. Also place to the credit of the Government of Italy or make available to it the dollar proceeds representing Italian exports, remittances from U.S. made to Italy, and other items which shall have accumulated as of that date or shall accrue thereafter. The Italian Government will use the dollars accruing to it from these other sources in paying diplomatic expenses and in effecting other indispensable current payments abroad, as well as in the purchasing of supplies not otherwise procurable for essential relief and rehabilitation.
- Dollars accruing from the sources indicated above will not be applied by the United States as against any claims upon Italy or the Italian Government anterior to the date on which financial responsibility is assumed by the Italian Government.
4. An agreement will be sought by the United States Government with the British Government to the latter's adoption of a procedure of identical character so that there may be credited to the Italian Government or made available to it all sterling which as of the date on which financial responsibility is assumed by the Italian Government shall have accumulated or which shall accrue thereafter for British troops in Italy and the proceeds in sterling of current exports from Italy, remittance to that country, and other items of Italian credit which similarly shall have accrued or shall accrue.

2. For the financing of such essential requirements for Italian civilian use, and other Italian expenditure abroad which are indispensable, responsibility will be vested with the Government of Italy and the latter will be aided in assuming and exercising such responsibility by the following arrangements to be made by the Governments of the United States and Great Britain.

1. For its part, the United States Government, with a view to making it possible for the Government of Italy to discharge its responsibility in the matter of foreign financing, will, as of the earliest possible:

a. place to the credit of the Government of Italy or make available to it, the dollar equivalent which as of that date shall have accumulated and that which shall thereafter accrue of all the lire issued then. The Italian Government will use the dollars accruing to it from this source in purchasing supplies for essential relief and rehabilitation;

b. Also place to the credit of the Government of Italy or make available to it the dollar proceeds representing Italian exports, remittances from U.S. made to Italy, and other items which shall have accumulated as of that date or shall accrue thereafter. The Italian Government will use the dollars accruing to it from these other sources in paying diplomatic expenses and in effecting other indispensable current payments abroad, as well as in the purchasing of supplies not otherwise procurable for essential relief and rehabilitation.

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Agreement to this proposal by the British Government will not constitute a condition to the United States Government's adoption of it.

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5. The Italian Government will be credited by the United States and British Governments with the balance which represents net earnings produced by Italian shipping in the United Nations' service and constituting a portion of the shipping pool. Such net earnings if not made disposable in the form of cash will be employed alternatively for off-setting charges for freight resulting from the transportation in non-Italian ships to Italy of essential supplies for civilian use.

6. The British Government will be requested by the Government of the United States to join with the latter in endeavoring to procure in the relief of Italy participation on the part of the United Nations Relief and Rehabilitation Administration as far as regards the extending of assistance in providing medical supplies and aid for the maintenance of public health and in the care of children and displaced persons.

7. The withdrawal by the Government of Italy of the proceeds in foreign exchange placed at its disposition through the measures indicated above will be subject to the license of the Allied Treasuries respectively concerned, as well as to approval by the financial agency of the Allies.

The Italian Government and the Allied Control Commission jointly will draw up the program of essential civilian requirements for Italy and this must be approved by the military authorities, the Allied civil agencies concerned, and other bodies having responsibility for the transportation of the requirements and their handling.

8. The United States Treasury will work out in agreement with the interested agencies the transaction relating to the counterpart in lire of the dollars which under paragraph 3a above are made available.

In no way shall the provisions of the foregoing program be construed as changing in any form whatsoever the terms fixed by the agreement of armistice with the Italian Government and of other agreements, technical or political, or as in any way whatever modifying the status pertaining to claims on the Italian Government and citizens of the United States; and terms of the final settlement between Italy and the United States are not in any manner prejudiced by the transfer of assets.

The following paragraph, which was para 6 of State Department's telegram, was not forwarded to Prime Minister Bonomi:

"6. The British Government will be requested by the Government of the United States to seek jointly with the latter the agreement to an arrangement of similar character of the French Committee for National Liberation."

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