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

785015

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MILITARY & CIVIL AIR
JUN. - OCT. 1946

0900

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

785015

10000/136/72

MILITARY & CIVIL AFFAIRS, AGREEMENTS WITH ITALY
JUN. - OCT. 1946

0901

785015

Form 100 (Old No. 490)
July 26, 1949

LIST OF PAPERS

102-2/CC

Office of the
Chief Commissioner

File under No. 102-2 MILITARY & CIVIL AFFAIRS AGREEMENTS
WITH ITALY

ALLIED COMMISSION

From: 15 Sep 45
To :

Confidential

Vol. I Page 4
8-0789

SERIAL NUMBER	FROM-	DATE	TO-	SYNOPSIS
34	Memo Greene	29 Aug 46	CC	Transmtl of draft FA to It Govt.
35	Ltr Stone	3 Sep 46	De Gasperi	Transmtl of Draft FA to P.M.
35	Ltr CC 102-2	3 Sep 46	Hq MTOUSA G-5	Transmtl of Draft Fin Agrmt
37	Ltr CC 102-2	22 Oct 46	Hq. MTOUSA	Transm of US/It Military and Civil Affairs Agreements Encl
38	Cbl 5266 Stone	22 Oct 46	MTOUSA G-5	Transmtl of US It M & CA Agrmt re Reply received re It Comments
38a	Ltr 4188 Livengood	23 Oct 46	Sec of State	Views on It Gov comments: Draft Mil & Civils Affairs Agreement
39	Ltr CC 102-2	1 Nov 46	AFHQ	Frwd of It views re military and Civil Affairs Agreement with It

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Confidential

SECRET

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JUNE 23 1500

IMPORTANT

AFHQ SIGNED SACMED CITE FHGET FROM G 5

ALCOM ROME

SECRET

REUR 3802

1. QUESTION AS TO POSITION OF CIVILIANS SUCH AS MEMBERS OF ADVISORY COUNCIL ALREADY RAISED WITH COS.
2. VIEW HERE IS THAT AUTHORITY EXISTS TO REQUISITION QUARTERS FOR MILITARY PERSONNEL ON CUSTOMARY STANDARD. USE MADE OF SUCH QUARTERS WHETHER USED FOR DEPENDENTS OR OTHERWISE CONSIDERED NO CONCERN OF ITALIANS. BECAUSE OF FORTHCOMING EXTREMELY LIBERAL FINANCIAL TERMS WOULD DOUBT IF ITALIAN GOVERNMENT WILL RAISE ISSUE AND YOUR CONCERN NOT UNDERSTOOD

AC DIST

ACTION: EXECUTIVE COMM

INFO: CHIEF COMM

POLAD (A)

POLAD (B)

FILE

SKELETON

SECRET

7/20/66
Spine
102-2/1

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SECRET

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ALCOM CITE FROM ADMIRAL STONE
COMBINED INTOUSA

211900B JUNE 1946

3819

SECRET

RE UNCLE SUGAR CIVIL AFFAIRS AGREEMENT CHA ITALIAN GOVERNMENT DESIRES TO KNOW IF
FIRST SENTENCE IN PARA SIX BAKER IS LIMITED TO PROPERTY IN ITALY AT TIME OF SIGNING
OF AGREEMENT PD THE POINT IS THAT THEY ARE HESITANT TO SIGN A BLANKET COMMITMENT
WHICH WOULD ENABLE THE UNITED STATES TO PURCHASE ANY PROPERTY SUCH AS NATIONAL
WORKS OF ART WHICH UNDER PARA SIX BAKER THEY COULD NOT REFUSE TO PERMIT TO BE
REMOVED PD THEY FURTHER POINT OUT THAT UDINE IN ZONE ABLE FOR EXAMPLE THEY
ARE POWERLESS TO PREVENT PURCHASE BY UNCLE SUGAR OF ANYTHING PD PARA TWO PD
REQUEST INSTRUCTIONS

DISTRIBUTION:
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PRIORITY

Chief Commissioner

222

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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102-2/a

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ALDOM CITE FROM ADMIRAL STONE

211900B JUNE 1946

COMBINED MTOUSA

3819

SECRET

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REQUEST INSTRUCTIONS

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PRIORITY

Chief Commissioner

222

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

SECRET

SECRET

102-2-11
222
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TOP SECRET

ALCOM AGSOG FROM ADMIRAL STONE

091215Z JULY 46

AFHQ FOR GEORGE FIVE

4090

~~TOP SECRET~~

YOUR FOX SIX EIGHT FOUR THREE SEVEN OF TWENTY NINE JUNE AND MY THREE NINE FOUR
SIX OF TWENTY NINE JUNE REFER TO

ITALIAN GOVERNMENT PREFERRED ALTERNATIVE BAKER CMA WANTED TO AWAIT CONCLUSION OF
BOTH CIVIL AFFAIRS AGREEMENTS IN ORDER TO PUBLISH THE THREE AGREEMENTS
SIMULTANEOUSLY

DISTRIBUTION:
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PRIORITY

Chief Commissioner

222

TOP SECRET

WILLIAM W. STONE
Rear Admiral, USNR
Chief Commissioner

Spars

102-4/11

ALBANY CITY RECORD FROM ALBANY, STONE

14 JUNE 1946

RECORD FOR GEORGE FIVE

3686

SECRET

COMPLYING WITH PARA TWO YOUR UNCLASSIFIED LETTER OF FOUR TEEN JUNE PAREN EXCEPT
THIS COMMUNICATION IS BY WIRE AND NOT BY AIRMAILS PAREN DELIVERY OF TWO COPIES
OF DRAFT AGREEMENT WAS MADE AT EIGHTEEN HUNDRED BAKER FOURTEEN JUNE TO PRIME
MINISTER PD

PARA TWO PD THERE WAS NO LETTER OF TRANSMITTAL BUT SUBSTANCE OF PARA ONE OF
YOUR LETTER WAS COMMUNICATED ORALLY TO PRIME MINISTER PD

PARA THREE PD HE WAS REQUESTED TO GIVE NO PUBLICITY TO CONTENTS OF AGREEMENT SO
LONG AS CLASSIFIED SECRET BUT WAS ADVISED THERE WAS NO OBJECTION TO THE GOVERNMENT
ANNOUNCING EXCEPT OF THE AGREEMENT IF IT SO DESIRED

DISTRIBUTION:

US Ambassador
RI Ambassador
US Polad
RI Polad
Ex Comm
CC Files

PRIORITY

Chief Commissioner

222

ELLEN W. STONE
Rear Admiral, USNR
Chief Commissioner

15c

SECRET

30

102-2/1

0907

CopyHEADQUARTERS ALLIED COMMISSION
Office of Political Adviser (A)

August 29, 1946

MEMORANDUM TO: Chief Commissioner

SUBJECT : Draft Financial Agreement

With reference to my memorandum of August 20, 1946, regarding the Draft Financial Agreement which you have been directed to transmit to the Italian Government for its consideration and comments, unless contrary views are expressed by the United States Embassy, I am glad to be able to tell you that the Embassy now has no objection to delivery of the Draft to the Italian Government for the purposes stated.

As a result of its request for the views of the Department of State, the Embassy has now received certain clarifications of several points raised by the Draft, and is now studying these. Although the Embassy may wish later to submit for the consideration of the Military Authorities certain observations on the Draft itself, this reservation of comment is no way intended to interfere with obtaining the comment of the Italian Government.

/s/ Joseph W. Greene, Jr.,
Assistant Political Adviser (A)

102-2/4

Copy

HEADQUARTERS ALLIED COMMISSION

Office of Political Adviser (A)

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/s/ Joseph N. Greene, Jr.,
Assistant Political Adviser (A)

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/S/ Joseph N. Greene, Jr.,
Assistant Political Adviser (A)

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/s/ Joseph N. Greene, Jr.,
Assistant Political Adviser (A)

MEMORANDUM

LIVE MEMOIR

16-Oct-46

THE CHIEF OF CONSUL AFFAIRS

The Italian Government has duly examined the Draft Civil and Military Affairs Agreement between the United States and Italy, annexed to the Draft Modification of the Armistice of June.

That examination has led to the conclusion that the specifically military and political proposals of the agreement itself pose grave problems of a domestic and international character destined to give rise to serious apprehensions and opposition (contrasti) in the country.

The total effect of the dispositions referred to in articles 1 to 7 in fact only confirms and consolidates in substance, as regards the matters treated in those articles, the actual situation which has come into being under the long armistice regime.

On the other hand, in view of the imminence of the Peace Conference and the hope that it may within a short time bring about the conclusion of a definitive Peace Treaty, the Italian Government believes it unnecessary and in any case not urgent to initiate discussions which might very probably become unnecessary before they were concluded.

Still, in compliance with the courteous requests of the Department of State, the Italian Government nevertheless submits to the Government of the United States the principal observations regarding the economic-financial clauses proposed for the new Armistice.

The system proposed by the Government of the United States for the regulation of financial relations, forthcoming from the new Armistice, may apparently be summarized as follows:

a) To set aside (scegliere) the system of financial relations initiated on the basis of the Armistice of September 8, 1943, and carried out from its entry into effect up to June 30, 1946;

b) To charge to the Italian Government the occupation expenditures, exclusive of army troop pay, for the direct maintenance of American military forces in Venezia-Iulia and the Province of Udine;

c) To charge to the Government of the United States for payment in dollars currently all services and all supplies (prestazioni) rendered to the American armed forces.

The Italian Government believes that the proposed system is in general acceptable and that it constitutes an appreciable improvement in the financial situation which has been imposed on Italy with the preceding Armistice.

E. J. [unclear]
102-2/11

The cessation of the arrangement of financial relations carried out up to June 30, 1940, is reasonable and opportune. Such an arrangement would have complicated the negotiation of the new armistice.

The Italian Government hopes that, when it may be appropriate, the United States Government will wish to take into account the considerations set forth by the Italian Government in its memorandum of January 7, 1945 in the sense that all supplies, all services and all payments made by the Italian Government for the account of the American armed forces during the long period of co-belligerence, may be recognized as dollar credits of the Italian Government to be applied against its debts for the civilian supplies.

Notable relief will thus derive to the Italian economy from the payment in dollars which the American Government declares itself disposed to make for all supplies, services, requisitions, etc., which the Italian Government will place at the disposition of the American armed forces beginning from July 1, 1940, and for the full duration of the new armistice.

Encouraged by such good dispositions, the Italian Government permits itself to request that it be exempt from the occupation expenditures for the direct maintenance of troops which it is desired to charge against it. It is true that this concerns only the troops stationed in Venezia-Giulia and in the Province of Udine, and it is further true that troop pay would be excluded, but that a part of the burden for occupation expenditures would nevertheless continue to bear upon the exhausted Italian economy, notwithstanding that the armistice regime has continued by this time almost three years, and that Italy has continued to bear, through no fault of its own, burdens from which it should have been freed for some time.

The Italian Government, which is grateful to the Government of the United States for the favorable arrangements, which have delivered the request of the Italian Government and people, hopes that its request will be granted and that the burdens of occupation expenses will thereby cease completely to exist.

In that spirit the Italian Government has also examined the text of the separate Draft Agreement provided for by paragraph 9 of the armistice Draft transmitted last September.

Accordingly, the observations which it advances below with regard to the last mentioned document are presented without implying any denial of the point of view expressed above.

Such observations are the following:

1. The Italian Government requests at the least exemption from the transportation expenditures, not only in order to eliminate the need for laborious calculations for the division of the expenditures themselves between the two Governments, as is provided in Section I, paragraph 2, but also in order to relieve Italian finances from a burden of which a not unimportant part consists of disbursements in foreign exchange for supplies of fuels, lubricants, etc;

2. The amount of the current account in lire which, by the terms of paragraph 3 (a), the Italian Government must place at the disposition of the commanding general of the American armed forces, might conveniently be established in agreement with the Minister of the Treasury;

3. The second section of the draft does not appear entirely clear: it is thought possible to deduce, having errors of interpretation, that the supplying of lire to the American armed forces for troop pay and for other expenditures reimbursable in dollars should take place by utilizing the balance in lire already in possession of the American armed forces or through the acceptance and payment of the countervalue in lire by the bank of Italy of United States Treasury checks. The payment in dollars for lire received in advance would occur immediately, with the undertaking on our part however to guarantee lire not utilized and to exempt the American forces from any loss deriving from devaluation of the lire.

With regard to this last point it is considered that the providing of funds in lire to the American armed forces involves in this case practically the character of a normal foreign exchange operation. Therefore, an eventual exchange guarantee - embodied in a public document - would certainly be invoked by third countries in similar cases, without Italy being able to advance serious arguments to resist such a demand.

Not only [this], but this [request] also may not be granted for technical-economic reasons connected with foreign exchange operations and deriving especially from the present situation in which the Italian Government, far from being able to save the available foreign exchange must employ it immediately for reconstruction purposes. In fact, whereas the dollars received may actually be utilized immediately or very soon by Italy, which means under present exchange conditions, the restitution [of dollars] for the repurchase of lire not used by the American armed forces might come about much later under different exchange conditions and with a considerable loss to the Italian economy.

That intervention would be serious enough even if the advances in lire were not limited to a pre-established figure, reaching equally serious even within the limits of the amounts proposed in paragraphs 3 (1) and (2).

It is pointed out, anyway, that the exchange guarantee could be applied in any case only to official funds, and possibly to those which are semi-official, but not also to those personal funds of individual members of the American armed forces.

16 Oct-46

AIDS MEMORANDUM

THE MINISTRY OF FOREIGN AFFAIRS

The Italian Government has duly examined the Draft Civil and Military Affairs Agreement between the United States and Italy, annexed to the Draft Modification of the Armistice regime.

That examination has led to the conclusion that the specifically military and political proposals of the agreement itself pose grave problems of a domestic and international character destined to give rise to serious apprehensions and opposition (especially) in the country.

The total effect of the dispositions referred to in articles 1 to 7 in fact only confirms and accentuates in substance, as regards the matters treated in those articles, the actual situation which has come into being under the long Armistice regime.

On the other hand, in view of the tardiness of the Peace Conference and the hope that is very within a short time being about the conclusion of a definitive Peace Treaty, the Italian Government believes it unnecessary and in any case not urgent to initiate discussions which might very probably become unnecessarily before they were concluded.

Still, in compliance with the courteous requests of the Department of State, the Italian Government nevertheless submits to the Government of the United States its principal observations regarding the economic-financial clauses proposed for the new Armistice.

The system proposed by the Government of the United States for the regulation of financial relations, forthcoming from the new Armistice, may apparently be summarized as follows:

a) To set aside (exceptionally) the system of financial relations initiated on the basis of the Armistice of September 29, 1943 and carried out from its entry into effect up to June 30, 1945;

b) To charge to the Italian Government the occupation expenditures, exclusive of net troop pay, for the direct maintenance of American military forces in Venezia-Giulia and the Province of Trieste.

100-7/20

pose ~~daily military and political problems~~ of the agreement itself. ~~grave problems of a domestic and international character~~ ~~designed to give rise to serious apprehensions and opposition~~ ~~(especially) in the country.~~

The total effect of the dispositions referred to in articles 1 to 7 in fact only confirms and consolidates in substance, as regards the matters treated in these articles, the actual situation which has come into being under the long armistice regime.

On the other hand, in view of the imminence of the Peace Conference and the hope that it may within a short time bring about the conclusion of a definitive Peace Treaty, the Italian Government believes it unnecessary and in any case not urgent to initiate discussions and/or might very probably become unnecessary before they were concluded.

Still, in compliance with the numerous requests of the Department of State, the Italian Government nevertheless submits to the Government of the United States its detailed observations regarding the economic-financial clauses proposed for the new Armistice.

The system proposed by the Government of the United States for the regulation of financial relations, notwithstanding from the new Armistice, may apparently be summarized as follows:

a) To set aside (sopprimere) the system of financial relations initiated on the basis of the Armistice of September 29, 1943 and carried out from its entry into effect up to June 30, 1946;

b) To charge to the Italian Government the occupation expenditures, exclusive of net troop pay, for the direct maintenance of American military forces in Venezia-Giulia and the Province of Udine;

c) To charge to the Government of the United States for payment in dollars currently all services and all supplies (materie prime) rendered to the American armed forces.

The Italian Government believes that the proposed system is in general acceptable and that it constitutes an appreciable improvement in the financial situation which had been imposed on Italy with the preceding Armistice.

The cessation of the arrangement of financial relations carried out up to June 30, 1946 is reasonable and opportune. Such an arrangement would have complicated the negotiation of the new Armistice.

SPARE

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107-2/50

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The Italian Government hopes that, when it may be appropriate, the United States Government will wish to take into account the considerations set forth by the Italian Government in its memorandum of January 7, 1945 in the sense that all supplies, all services and all payments made by the Italian Government for the account of the American armed forces during the long period of co-belligerency, may be recognized as dollar credits of the Italian Government to be applied against its debts for the civilian supplies.

Useable relief will thus derive to the Italian economy from the payment in dollars which the American Government declares itself disposed to make for all supplies, services, requisitions, etc., which the Italian Government will place at the disposition of the American armed forces beginning from July 1, 1946 and for the full duration of the new Armistice.

Discouraged by such good dispositions, the Italian Government permits itself to request that it be exempt from the occupation expenditures for the direct maintenance of troops which it is destined to change against it. It is true that this concern only the troops stationed in Venezia-Giulia and in the Province of Udine, and it is further true that troop pay would be excluded, but that a part of the burden for occupation expenditures would nevertheless continue to bear upon the exhausted Italian economy, notwithstanding that the Armistice regime has continued by this time almost three years, and that Italy has continued to ~~be~~ ^{have} ~~beaten~~ ^{beaten} ~~its~~ ^{its} ~~own~~ ^{own} ~~burdens~~ ^{burdens} from which it ~~has~~ ^{has} ~~been~~ ^{been} ~~freed~~ ^{freed} for some time.

The Italian Government, which is grateful to the Government of the United States for the favorable arrangements, which have enlightened the regard of the Italian Government and people, hopes that its request will be granted and that the burdens of occupation expenses will thereby cease completely to exist.

In that spirit the Italian Government has also examined the text of the separate draft agreement provided for by paragraph 9 of the Armistice Draft transmitted last September.

Accordingly, the observations which it advances below with regard to the last mentioned document are presented without implying any denial of the point of view expressed above.

Such observations are the following:

credits of the Italian Government to be applied against its debts for the civilian supplies.

Notable relief will thus derive to the Italian economy from the payment in dollars which the American Government decided itself disposed to make for all supplies, services, requisitions, etc., which the Italian Government will place at the disposition of the American armed forces beginning from July 1, 1946 and for the full duration of the new Armistice.

Unconcerned by such good dispositions, the Italian Government permits itself to request that it be exempted from the occupation expenditures for the direct maintenance of troops which it is desired to charge against it. It is true that this concerns only the troops stationed in Venezia-Carlin and in the Province of Udine, and it is further true that troop pay would be excluded, but that a part of the burden for occupation expenditures would nevertheless continue to bear upon the exhausted Italian economy, notwithstanding that the Armistice regime has continued by this time almost three years, and that Italy has continued to ~~pay~~ ^{have} through no fault of its own, burdens from which it ~~should~~ ^{has} freed for some time.

The Italian Government, which is entrusted to the Government of the United States for the favorable arrangements, which have enlightened the regard of the Italian Government and people, hopes that its request will be granted and that the burdens of occupation expenses will thereby cease completely to exist.

In that spirit the Italian Government has also examined the text of the separate draft agreement provided for by paragraph 9 of the Armistice Draft transmitted last September.

Accordingly, the observations which it advances below with regard to the last mentioned document are presented without implying any denial of the point of view expressed above.

Such observations are the following:

1. The Italian Government requests as the least exemption from the transportation expenditures, not only in order to eliminate the need for laborious calculations for the division of the expenditures themselves between the two Governments, as is provided in Section 1, paragraph 2, but also in order to relieve Italian finances from a burden of which a not unimportant part consists of disbursements in foreign exchange for supplies of fuels, lubricants, etc;

2. The amount of the current account in lire which, by the terms of paragraph 3 (a), the Italian Government must place at the disposition of the Commanding General of the American armed forces, might conveniently be established in agreement with the Minister of the Treasury;

-3-

3. The second section of the draft does not appear entirely clear: it is thought possible to deduce, barring errors of interpretation, that the supplying of lire to the American armed forces for troop pay and for other expenditures reimbursable in dollars should take place by utilizing the balance in lire already in possession of the American armed forces or through the acceptance and payment of the counter-value in lire by the Bank of Italy of United States Treasury checks. The payment in dollars for lire received in advance would occur immediately, with the undertaking on our part however to repurchase lire not utilized and to exempt the American forces from any loss deriving from devaluation of the lire.

With regard to this last request it is considered that the providing of funds in lire to the American armed forces assumes in this case practically the character of a normal foreign exchange operation. Therefore, an eventual exchange guarantees enacted in a public document - would certainly be invoked by third countries in similar cases, without Italy being able to advance serious arguments to resist such a demand.

Not only that, but this request also may not be granted for technical-economic reasons connected with foreign exchange operations and deriving especially from the present situation in which the Italian Government, far from being able to save the available foreign exchange must employ it immediately for reconstruction purposes. In fact, whereas the dollars received may actually be utilized immediately or very soon by Italy, which means under present exchange conditions, the restitution of dollars for the repurchase of lire not used by the American armed forces might come about much later under different exchange conditions and with a considerable loss to the Italian economy.

That inconvenience which would be serious enough even if the advances in lire were not limited to a pre-established figure, remains equally serious even within the limits of the amounts proposed in paragraphs 1) and 2).

It is pointed out, anyhow, that the exchange guarantee could be applied in any case only to official funds, and ~~even~~ ^{possibly} to those which are semi-official, but not also to those personal funds of individual members of the American armed forces.

(unrated)

received October 10, 1946.

Trans: BSA

RESTRICTED

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

11 June 1946

W-90819

"MODIFIED DRAFT OF MILITARY AND CIVIL AFFAIRS
AGREEMENT BETWEEN THE UNITED STATES AND ITALY."

*	*	*	*	*	*	*
*	*	*	*	*	*	*

EXTRACT

8. The financial terms and conditions covering the supply of Italian lira to the UNITED STATES Forces, payment thereof and payment for services and facilities and related questions set forth in the Armistice agreement, dated 29 September 1943, shall continue to govern the financial relations between the UNITED STATES Forces and the Government of ITALY up to and including 30 June 1946, NOT withstanding the abrogation of that Armistice Agreement.

9. (a) Occupation cost exclusive of net troop pay for the direct maintenance of UNITED STATES Forces in VENEZIA GIULIA and the Province of UDINE shall continue as heretofore to be a charge against the Italian Government.

(b) The cost of all services and facilities NOT covered under paragraphs 8 and 9 (a), made available to the UNITED STATES Forces shall, from 1 July 1946, be the responsibility of the UNITED STATES Government and shall be paid for in dollars currently.

(c) The conditions of payment on which services and facilities are made available to the UNITED STATES in ITALY, together with the financial questions such as the supply of Italian currency to the UNITED STATES Forces, shall be subject of a separate agreement, effective as of 1 July 1946. These arrangements include the establishment of a lira account through which medium the Italian Government shall reimburse the U.S. Forces for lira payments made by U.S. disbursing officers in payment of expenses which, under the new Financial Agreement, are properly chargeable to the Italian Government. The UNITED STATES Forces shall establish such procedures as are necessary to implement the new Financial Agreement.

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EXTRACT

8. The financial terms and conditions covering the supply of Italian lira to the UNITED STATES Forces, payment thereof and payment for services and facilities and related questions set forth in the Armistice agreement, dated 29 September 1943, shall continue to govern the financial relations between the UNITED STATES Forces and the Government of ITALY up to and including 30 June 1946, NOT withstanding the abrogation of that Armistice Agreement.

9. (a) Occupation cost exclusive of net troop pay for the direct maintenance of UNITED STATES Forces in VENEZIA GIULIA and the Province of UDINE shall continue as heretofore to be a charge against the Italian Government.
- (b) The cost of all services and facilities NOT covered under paragraphs 8 and 9 (a), made available to the UNITED STATES Forces shall, from 1 July 1946, be the responsibility of the UNITED STATES Government and shall be paid for in dollars currently.
- (c) The conditions of payment on which services and facilities are made available to the UNITED STATES in ITALY, together with the financial questions such as the supply of Italian currency to the UNITED STATES Forces, shall be subject of a separate agreement, effective as of 1 July 1946. These arrangements include the establishment of a lira account through which medium the Italian Government shall reimburse the U.S. Forces for lira payments made by U.S. disbursing officers in payment of expenses which, under the new Financial agreement, are properly chargeable to the Italian Government. The UNITED STATES Forces shall establish such procedures as are necessary to implement the new Financial Agreement.

Signature
10/1/46

0921

785015

HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

3 September 1946.

My dear Mr. Prime Minister:

You will recall that on 14 June 1946 I delivered to you two copies of the draft Military and Civil Affairs Agreement between the United States and Italy intended to accompany the proposed revised armistice.

Paragraph 9(c) of the Draft Military and Civil Affairs Agreement between the United States and Italy provides that conditions of payment on which services and facilities are made available to the United States in Italy and other financial questions shall be the subject of a separate agreement effective as of 1 July 1946. I forward herewith the draft of the financial agreement referred to in the preceding sentence for the consideration and comments of your Government.

It will be appreciated if your comments on the attached draft and on the Draft Military and Civil Affairs Agreement between the United States and Italy, which I delivered to you on 14 June, could be communicated to me at your early convenience.

Sincerely,

/s/ Henry W. Stone

HENRY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Alcide DeGasperi,
President of the Council of Ministers,
Rome.

Copy to: G-5 AFHQ
U.S. Ambassador
Polad A.
CC

Stone

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102-2/10

PARENT AGREEMENT

Pursuant to the terms of the Military and Civil Affairs Agreement entered into between the Italian Government and Commanding General of the United States Forces in Italy and more specifically to paragraphs 9(A) (B) and (C) of the aforementioned agreement, it is further agreed that the following provisions shall govern:

- (A) The conditions under which occupational costs for the direct maintenance of United States Forces in VENEZIA GIULIA, AMBRODIA Airport, and the Province of UDINE will be met by the Italian Government.
- (B) The conditions under which the United States Government will pay in Dollars on a current basis, for net troop pay of United States Troops located in ITALY, and for all supplies, services and facilities not covered in paragraphs 8 and 9 (A) of the parent agreement.

SECTION I.

Occupation costs for direct maintenance of United States Forces in VENEZIA GIULIA, Province of UDINE, and support troops located at AMBRODIA Airport.

1. "Direct Maintenance" as used in this agreement will be construed to mean the cost of services, supplies and facilities procured in ITALY and used by troops physically located in the area cited in the title of Section I.
2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied Military Facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.

3.
 - (A) The Commanding General of the United States Forces or a duly appointed Delegate or Delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of (amount to be filled in by the Commanding General, United States Forces, in accordance with his requirements), lire and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.
 - (B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian Government.

4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein shall be evidence that such supplies are

Troops located in ITALY, and for all supplies, services and facilities not covered in paragraphs 8 and 9 (A) of the parent agreement.

SECTION I.

Occupation costs for direct maintenance of United States Forces in VIAREGGIO, Province of LIGURIA, and support troops located at AERODROMO Airport.

1. "Direct maintenance" as used in this agreement will be construed to mean the cost of services, supplies and facilities procured in ITALY and used by troops physically located in the area cited in the title of Section I.
2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied Military Facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.
3.
 - (A) The Commanding General of the United States Forces or a duly appointed Delegate or Delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of (amount to be filled in by the Commanding General, United States Forces, in accordance with his requirements), lire and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.
 - (B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian Government.
4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein will be presented to the Italian Government as evidence that such supplies are for direct maintenance of United States Occupation Forces.
5. The technical procedures necessary to implement this agreement shall be determined between the Commanding General of the United States Forces and the Italian Government.

SECTION II.

Procurement of lire for troop pay and for purchase of supplies, materials and services other than for direct maintenance as provided in section 1 hereof.

1. (A) All lire held by United States Forces on 1 July 1946 and not heretofore paid for will be purchased by United States Forces at the rate of 225 lire to the dollar. A statement of this balance, resulting from all lire drawn prior to 1 July 1946, from the Allied Financial Agency and the Banca D'Italia by the United States Armed Forces, less lire used by the United States Armed Forces for all local procurement of goods and services, minus the dollar equivalent already paid the Italian Government by the United States Armed Forces, minus the returns of lire to the Allied Financial Agency and the Banca D'Italia as of 30 June 1946, will be furnished to the Italian Government.

(B) After 1 July 1946 the United States Forces will purchase lire requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca D'Italia or one of its branches with United States Treasury checks.

(C) When all United States Forces are withdrawn from ITALY, above settlement will be made for lire balances referred to in paragraph 1 (A) above by:

(1) Return of unused lire to Italian Government.

(2) Payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 (C).

(D) The United States Forces will use lire balances (see paragraph 1 (A)) and lire procured by treasury check only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States Forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of section 1.

(E) All local procurement other than for direct maintenance will be paid for with lire balances (reference paragraph 1 (A)) or lire purchased from the Italian Government with United States Treasury checks.

2. The Italian Government agrees:

(A) To instruct the Banca D'Italia and all branches thereof to accept United States Treasury checks from Army Disbursing Officers in exchange for lire at the rate of 225 lire to the dollar.

United States Forces are withdrawn from ITALY to reimburse

Armed Forces, minus the surplus of 30 June 1946, will be furnished to the Italian Government.

(B) After 1 July 1946 the United States Forces will purchase live requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca d'Italia or one of its branches with United States Treasury checks.

(C) When all United States Forces are withdrawn from ITALY, above settlement will be made for live balances referred to in paragraph 1 (A) above by:

- (1) Return of unused lire to Italian Government.
- (2) Payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 (C).
- (D) The United States Forces will use live balances (see paragraph 1 (A)) and lire procured by treasury check only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States Forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of Section 1.
- (E) All local procurement other than for direct maintenance will be paid for with live balances (reference paragraph 1 (A)) or lire purchased from the Italian Government with United States Treasury checks.

2. The Italian Government agrees:

- (A) To instruct the Banca d'Italia and all branches thereof to accept United States Treasury checks from Army Disbursing Officers in exchange for lire at the rate of 225 lire to the dollar.
- (B) When United States Forces are withdrawn from ITALY to repurchase with United States dollars Army holdings as follows:
 - (1) Lire in excess of 1 July 1946 balances (see paragraph 1 (A)) at the rate of 225 lire to the dollar, except as modified by paragraph (C) below, provided however, that liability for the repurchase of lire shall not exceed the amount purchased after 1 July 1946 by Treasury check;

(2) The additional lire converted to dollars for authorized personnel of the United States Forces, not to exceed in any event three million five hundred thousand dollars.

(c) To protect the United States Forces, including Official, quasi-Official, and personnel funds, in accordance with the provisions of the note of 22 February 1946 from the Italian Ministry of Treasury to the United States Treasury Representative at Rome, against any loss resulting from the devaluation of lire. Provisions of this paragraph will be applicable to paragraph 1 (c) (2) and shall be taken into consideration in computing amounts due to the Italian Government.

(D) To advise United States Government in advance of any pending change in the rate of exchange.

0927

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

785015

(D) To advise United States Government in advance of any pending change in the rate of exchange.

HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

3 September 1946.

My dear Mr. Prime Minister:

You will recall that on 14 June 1946 I delivered to you two copies of the draft Military and Civil Affairs Agreement between the United States and Italy intended to accompany the proposed revised assistance.

Paragraph 9(c) of the Draft Military and Civil Affairs Agreement between the United States and Italy provides that conditions of payment on which services and facilities are made available to the United States in Italy and other financial questions shall be the subject of a separate agreement effective as of 1 July 1946. I forward herewith the draft of the financial agreement referred to in the preceding sentence for the consideration and comments of your Government.

It will be appreciated if your comments on the attached draft and on the Draft Military and Civil Affairs Agreement between the United States and Italy, which I delivered to you on 14 June, could be communicated to me at your early convenience.

Sincerely,

L. F. W. Stone

EMERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Alcide DeGasperi,
President of the Council of Ministers,
Rome.

Copy to: G-5 AFHQ

Stone

COPY

0929

DRAFT AGREEMENT

Pursuant to the terms of the Military and Civil Affairs Agreement entered into between the Italian Government and Commanding General of the United States Forces in Italy and more specifically to paragraphs 9(A), (B) and (C) of the aforementioned agreement, it is further agreed that the following provisions shall govern:

- (A) The conditions under which occupational costs for the direct maintenance of United States Forces in VENEZIA GIULIA, ANCONA Airport, and the Province of UDINE will be met by the Italian Government.
- (B) The conditions under which the United States Government will pay in Dollars on a current basis, for net troop pay of United States Troops located in ITALY, and for all supplies, services and facilities not covered in paragraphs 8 and 9 (A) of the parent agreement.

SECTION I.

Occupation costs for direct maintenance of United States Forces in VENEZIA GIULIA, Province of UDINE, and support troops located at ANCONA Airport.

1. "Direct Maintenance" as used in this agreement will be construed to mean the cost of services, supplies and facilities procured in ITALY and used by troops physically located in the area cited in the title of Section I.
2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied Military Facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.
3.
 - (A) The Commanding General of the United States Forces or a duly appointed Delegate or Delegates authorized in writing by him to act in his name, will procure supplies, facilities and services for direct maintenance by purchases with lire funds to be made available by the Italian Government. To facilitate this arrangement the Italian Government will place to the account of the Commanding General, United States Forces, a working balance of (amount to be filled in by the Commanding General, United States Forces, in accordance with his requirements), lire and will provide additional lire, as necessary, to maintain this balance. All expenditures from this account will be supported by vouchers, copies of which will be furnished to the Italian Government.
 - (B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian

SECTION I.

Occupation costs for direct maintenance of United States Forces in VENEZIA GIULIA, Province of UDINE, and support troops located at AMERSONA Airport.

1. "Direct Maintenance" as used in this agreement will be construed to mean the cost of services, supplies and facilities procured in ITALY and used by troops physically located in the area cited in the title of Section I.
2. Transportation costs incident to services, supplies and facilities into or out of these areas, and costs of communication between these areas and other Allied Military Facilities, will be borne by the United States and Italian Governments on a pro rata basis to be agreed upon between the Commanding General, United States Forces, and the Italian Government.
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 - (B) At such time as the United States Forces are withdrawn, any balance remaining in the account shall revert to the Italian Government.
4. Purchase orders bearing the certificate of the Commanding General, United States Forces, or his delegates that the supplies, materials, or services are for direct maintenance of occupation forces as defined herein will be presented to the Italian Government as evidence that such supplies are for direct maintenance of United States Occupation Forces.
5. The technical procedures necessary to implement this agreement shall be determined between the Commanding General of the United States Forces and the Italian Government.

SECTION II.

Procurement of lire for troop pay and for purchase of supplies, materials and services other than for direct maintenance as provided in section I hereof.

1. (A) All lire held by United States Forces on 1 July 1946 and not heretofore paid for will be purchased by United States Forces at the rate of 225 lire to the dollar. A statement of this balance, resulting from all lire drawn prior to 1 July 1946, from the Allied Financial Agency and the Banca D'Italia by the United States Armed Forces, less lire used by the United States Armed Forces for all local procurement of goods and services, minus the dollar equivalent already paid the Italian Government by the United States Armed Forces, minus the returns of lire to the Allied Financial Agency and the Banca D'Italia as of 30 June 1946, will be furnished to the Italian Government.

(B) After 1 July 1946 the United States Forces will purchase lire requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca D'Italia or one of its branches with United States Treasury checks.

(C) When all United States Forces are withdrawn from ITALY, settlement will be made for lire balances referred to in paragraph 1 (A) above by:

(1) Return of unused lire to Italian Government.

(2) Payment of United States dollars at the rate of 225 lire to the dollar for the difference between the amount on hand 1 July 1946 and the amount returned to the Italian Government except as modified by paragraph 2 (C).

(D) The United States Forces will use lire balances (see paragraph 1 (A)) and lire procured by treasury check only for the pay, exchange of funds and encashment of dollar instruments authorized by the United States Forces or troops and personnel in and under the military establishments, and for procurement of goods and services other than for direct maintenance under provisions of section I.

(E) All local procurement other than for direct maintenance will be paid for with lire balances (reference paragraph 1 (A)) or lire purchased from the Italian Government with United States Treasury checks.

2. The Italian Government agrees:

(A) To instruct the Banca D'Italia and all branches thereof to accept United States Treasury checks from Army Disbursing Officers in exchange for lire at the rate of 225 lire to the dollar.

(B) After 1 July 1946 the United States Forces will purchase lire requirements, in excess of balances held by Army Disbursing Officers on that date, from the Banca D'Italia or one of its branches with United States Treasury checks.

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(1) Lire in excess of 1 July 1946 balances (see paragraph 1 (A)) at the rate of 225 lire to the dollar, except as modified by paragraph (C) below, provided however, that liability for the reimbursement of lire shall not exceed the amount purchased after 1 July 1946 by Treasury check;

(2) The additional lire converted to dollars for authorized personnel of the United States Forces, NOT to exceed in any event three million five hundred thousand dollars.

(C) To protect the United States Forces, including Official, quasi-Official, and personal funds, in accordance with the provisions of the veto of 22 February 1946 from the Italian Ministry of Treasury to the United States Treasury Representative at Rome, against any loss resulting from the devaluation of lire. Provisions of this paragraph will be applicable to paragraph 1 (C) (2) and shall be taken into consideration in computing amounts due to the Italian Government.

(D) To advise United States Government in advance of any pending change in the rate of exchange.

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(D) To advise United States Government in advance of any pending change in the rate of exchange.

HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

3 September 1946.

My dear Mr. Prime Minister:

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Paragraph 9(c) of the Draft Military and Civil Affairs Agreement between the United States and Italy provides that conditions of payment on which services and facilities are made available to the United States in Italy and other financial questions shall be the subject of a separate agreement effective as of 1 July 1946. I forward herewith the draft of the financial agreement referred to in the preceding sentence for the consideration and comments of your Government.

It will be appreciated if your comments on the attached draft and on the Draft Military and Civil Affairs Agreement between the United States and Italy, which I delivered to you on 14 June, could be communicated to me at your early convenience.

Sincerely,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Alcide DeGasperi,
President of the Council of Ministers,
Rome.

Copy to: G-5 AFHQ

U.S. Ambassador
Polad A.
CC

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10/2/46

HEADQUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
APO 394

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Sincerely,

/s/ Ellery W. Stone

ELLEERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Dr. Alcide DeGasperi,
President of the Council of Ministers,
Rome.

Copy to: G-5 AFHQ
U.S. Ambassador
Poland
CC ✓

*Copy to
102-2*

GC 102-2

3 September 1946.

SUBJECT: Transmittal of Draft Financial Agreement.

TO : Headquarters MTOUSA, APO 512, U.S. Army.
Attention: G-5 Section.

Your letter of 12 August refers.

1. Confirming telephone conversation of 2 September with the Assistant Chief of Staff G-5, the draft financial agreement was handed to the American Embassy immediately upon its receipt pursuant to paragraph 2 of your letter of 12 August. The American Embassy advised by memorandum dated 29 August as per the attached copy.

2. Copies of the draft financial agreement accordingly have been forwarded to the Prime Minister this date as per the attached letter and enclosure.

/s/ Ellery W. Stone

ELLMY W. STONE
Rear Admiral, USNR
Chief Commissioner

Inc.-1 Polad(A) Memo 29 Aug 46
2 Copy ltr 3 Sept 46 to Prime
Minister with enclosure.

*Copy to ELC**Stone*
105-12/46

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CC 102-2

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Copy to E.C.

102-2/

CC 102-2

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ELLELY W. STONE
Rear Admiral, USNR
Chief Commissioner

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Copy to L-@

CC 102-2

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ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Inc.-1 Polad(A) Memo 29 Aug 46
2 Copy ltr 3 Sept 46 to Prime
Minister with enclosure.

14 June 1946.

My dear ~~XXXXXX~~

I enclose herewith copy of letter received today from WFOUSA and one copy, as directed, of the "Modified Draft of Military and Civil Affairs Agreement between the United States and Italy".

I have been further instructed to give no publicity to this draft agreement but I have been informed that if the Italian Government wishes to announce receipt of the agreement only there will be no objection.

Very truly yours,

F. H. Stone

ELERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Mr. David McK. Key,
Charge d'Affaires,
American Embassy,
Rome.

Sir Noel Charles, St., KCMG,
British Ambassador,
Via XX Settembre,
Rome.

102-2/1
+ 202/1

14 June 1946.

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F. Henry W. Stone

HENRY W. STONE
Rear Admiral, USN
Chief Commissioner

Mr. David M. Key,
Charge d'Affaires,
American Embassy,
Rome.

Sir Noel Charles, Bt., KCMG,
British Ambassador,
84 Via XX Settembre,
Rome.

~~SECRET~~

HQ ALBION CTRK AUCSC

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COMBATING GENERAL MTOUSA

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THIRTE WORDS QUOTE SLASH UNCLE KING UNQUOTE IN MY TALK SEVEN FOUR ZERO DATED
 SEVENTEEN JUNE

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~~SECRET~~

Chief Commissioner

222

HARRY W. STONE
 Rear Admiral, USN

102-2/a

G. N. C. Form 103 (Old No. 400)
Rev. 1018

LIST OF PAPERS

102-2/CC

Office of the
Chief CommissionerFile under No. 102-2 MILITARY & CIVIL AFFAIRS AGREEMENTS
WITH ITALY

ALLIED COMMISSION

SECRET

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SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
24	Cbl F 68152 Congen med	23 Jun 46	EC	Statements re modification of US Civil Affairs Agreement
25	Cbl F 68162 Congen med	24 Jun 46	EC	Amendments to cbl F 68162
26	Cbl C 51369 AFHQ	1 Jul 46	AC EC	Reclassification of US Draft CAA
+ 26a	Cbl FX 68764 SACM	5 Jul 46	CCS	Abolition of and replacement fr AC
27	Ltr 615/EC Stone	6 Jul 46	De Gasperi	Reclassification of US MCA Agrmt
28	Cbl 4216 Stone	18 Jul 46	Comgenmed	It Govt decisions re US, UK propos- ed revised armistice agreements
29	Cbl W95799, AGWAR	27 July 46	COMGENMED,	Auth'y to change text of Civil Affairs agreement
30	Cbl FX69867 SACMED NAF 1187	31 July 46	AGWAR for CCS	It Gov't comments on U.S. Civil Affairs Agreements not likely
31	Memo Green		Key, Livengood	Frwdng of ltr AFHQ-CC re Financial Matters in con wth US Mil & CA Agt
31a	Cbl W97062 CCS	10 Aug 46	Lee	Draft FA supp to draft US M. & CA
31b	Ltr Hamblen	12 Aug 46	CC	Transmtl of draft Fin Agmt (US-M&CA)
32	Memo Green	20 Aug 46	CC	Draft Financial Agreement
33	Note Verbale US Embassy	26 Aug 46	Emb of France	Negotiation of US CA Agrmt to Fr Authorities

INSTRUCTIONS.—When papers on a subject are received, they are to be numbered serially and brief entries made on this form.

SECRET

0945