

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

ACC

10000/136/249

FINANCING OF CIV
SEPT. 1944 - OCT. 1

10000/136/249

FINANCING OF CIVILIAN SUPPLIES FOR ITALY
SEPT. 1944 - OCT. 1946

LIST OF PAPERS

951/CC

Office of the
Chief Commissioner

ALLIED COMMISSION

File under No. 951 FINANCING OF CIVILIAN SUPPLIES FOR ITALY

Page 5

~~SECRET~~

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
44	4676/13073.1.15/19.14, Ferruccio Parri	15 Oct 45	CC	Tnx for copy UNMRA 3rd London meeting.
45	Lush	29 Oct 45		NOTE VERBALE de Am. Emb. to Royal Min.
46	Ltr FS/13.01 Cleveland	13 Dec 45	CC	Procedures for Imported Pet. Products
47	CblFX 66376 SACMED MAT 1023	18 May 46	CCS	Billing Italian Govt fr Civ Supplies
48	Memo	8 Jun 46	CC	Export - Import Plan fr Italy
49	Cbl F 72901	28 Oct 46	Econ Sect	Req civilian supply requirements VG

3650

~~SECRET~~

951/CC

LIST OF PAPERS

Office of the
Chief Commissioner

ALLIED COMMISSION

File under No. 951 FINANCING OF CIVILIAN SUPPLIES FOR ITALY

Page 4

SECRET

SERIAL NUMBER	FROM	DATE	TO	SYNOPSIS
33	Ltr, Alex Kirk	6 Apr 45	CC	It troop pay acct set up in US Treasury and additional 50 million dollars.
34	CC 951, Stone	9 Apr 45	Alex Kirk	Tnx for info re It troop pay acct set up in Washington....
35	13214/T, Stone	9 Apr 45	Bonomi	It tp pay acct set up in US Treasury and additional 50 million dollars.
36	13214/F, Stone	9 Apr 45	Alex Kirk	Have informed Bonomi of It tp pay acct set up in US Treasury and add'l funds.
37	4676/13075.1.45/19.14, Ferruccio Parri	15 Oct 45	CC	Tnx for copy of UNRA 3rd London meet.
37	37002/15.5, Bonomi	4 Jun 45	Stone	It Amb in US asking USC open credit of \$ 300,000,000.00 for econ rehabilit.
38	Ltr, Stone	6 Jun 45	Alex Kirk	It Amb in US asking USC open credit of 300 million dollars for It rehabilitation.
39	13214/F, Stone	9 Jun 45	Bonomi	Further open credit of 300 million to It by US; AC will only advise.
40	13214/F, Stone	9 Jun 45	Alex Kirk	It asking US open credit 300 million dollars for econ rehabilit supplies.
41	37854/37002/19.3, Bonomi	11 June 45	Stone	IG cancel request for 300 million dollar credit pend prepare new data.
42	13214/F, Stone	12 Jun 45	Alex Kirk	IG cancel request for 300 million dollar credit pend prepare new data.
43	13214/F, Stone	13 Jul 45	Parri	IG request reimbursement in foreign exchange for AM line issued tps, and value of reqs made by Allied mil in Italy.

3649

SECRET

LIST OF PAPERS

951/CC

Office of the
Chief Commissioner

ALLIED COMMISSION

File under No. 951 FINANCING OF CIVILIAN SUPPLIES FOR ITALY

SECRET

Page 3

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
23	Ltr Kirk	8 Dec 44	Stone	State Dept explains procedure use of dollar equivalent of lire expended by US tps and ltr fr Ital Finance Minister to US Sec'y of the Treasury.
24	Ltr, Stone	9 Dec 44	Kirk	Tnx for State Dept explanation; will take up with Ital as reviewed by Econ.
25	Ltr Stone, 13018/F	14 Dec 44	G-5 AFHQ	State Dept explanation of procedure; approval of procedure procurement requests; financial procedure. APP: Proposed ltr to Bonomi - Soleri to UST.
25a	Ltr Stone 11.05/ES	27 Dec 44	Bonomi	State Dept explains procedure; submission of requests of govt; financial procedure. INCL Ltr desired fr Soleri, UST.
26	Ltr Stone	27 Dec 44	Southard	Conferences held by Quintieri Mission with Treasury officials in Washington.
27	Ltr, Alex Kirk	11 Jan 45	Stone	US Treasury makes initial transfer to Ital Govt account of 50 million dollars
28	Ltr Quayle CC-951	15 Jan 45	Finance SC	US Treasury makes initial transfer to Ital Govt account of 50 million dollars
28a	Ltr Lawler 13214/F	15 Jan 45	CC, AC	
29	Ltr Stone 13214/F	15 Jan 45	Bonomi	US Treasury makes initial transfer to Ital Govt a/c; Soleri's authorization required by U.S. Treasury.
30	Ltr Stone 13214/F	15 Jan 45	Kirk	US Treasury makes initial transfer to Ital Govt a/c; Soleri's authorization required by U.S. Treasury.
31	Ltr, Ital Ministry of the Treasury	20 Jan 45	Morgenthau	Ital Treasury asks US Treasury setup special deposit a/c (Lira Account)
32	Ltr Stone 13214/F	22 Jan 45	Alex Kirk	Soleri's ltr to Morgenthau forwarded.

3048

SECRET

LIST OF PAPERS

951/CC

Office of the
Chief Commissioner

ARMED COMMISSION

File under No. 951 FINANCING OF CIVILIAN SUPPLIES FOR ITALY

SECRET

Page 2

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
16	Memo Graftley-Smith 1521/F	5 Nov 44	A/CC	Old MAT 385 for AFHQ to CCS requesting guidance gross amount to be used; net earning Ital shipping; procedure by which Italy may withdraw proceeds in foreign exchange.
17	Ltr, Alex Kirk	5 Nov 44	Stone	Statement for communication to Ital Government from Dept of State ENCL:.
18	Ltr, Alex Kirk	5 Nov 44	Stone	Background on statement furnished Ital Govt by Dept of State.
19	Ltr, Alex Kirk	8 Nov 44	Stone	Correction to statement to Ital Government from Dept of State.
20	Ltr, Stone	8 Nov 44	Bonessi	Text of new statement from Dept of State; you will shortly receive dollar figure. ENCLOSURE.
21	Ltr Stone, CC 951	9 Nov 44	G-5 AFHQ	Statement from Dept of State to Ital Govt and background thereto forwarded.
21a	Ltr Lawler	21 Nov 44	Stone	Conferences held by Quintieri Mission with Treasury Dept officials in Washington Solari proposes goods/foreign exchange be given against AM lire issued by AF for goods/services; also against amounts disbursed by Govt, on behalf of AF. Conferences held by Quintieri Mission with Treasury officials in Washington.
21b	Ltr Lawler	21 Nov 44	Stone	
21c	Ltr Lawler	24 Nov 44	Stone	
22	Ltr Graftley-Smith	25 Nov 44	CC, AG	
22a	Ltr Lawler	24 Nov 44	Stone	
22b	Ltr Lawler	24 Nov 44	Stone	

3647

SECRET

LIST OF PAPERS

951/CC

Office of the
Chief Commissioner

ALLIED COMMISSION

File under No. 951 FINANCING OF CIVILIAN SUPPLIES FOR ITALY

SECRET

Page 1

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1	Memo Kirk	6 Sep 44	ACC	President considering arrange- ments for finance of civ supplies
2	Memo Kirk	7 Sep 44	ACC	Outline of plan being considered
3	President's state- ment	11 Oct 44		Approved arrangements for fin- ancing civ supplies for Italy
4	Ltr Kirk	11 Oct 44	Stone	Ital Govt should be informed. INCL: tel fr SecState describing arrangements
5	Ltr Kirk	12 Oct 44	Stone	Fwd'd for background. INCL: details of money available
6	Ltr A/CC 100 Stone	13 Oct 44	Kirk	Raising questions on plans out- lined in President's release.
7	Ltr Kirk	13 Oct 44	Stone	Benomi should be informed soon. Will request info on your points.
8	Ltr A/CC 400.38 Stone	13 Oct 44	Benomi	Pending clarification, here is latest info on projected plan. INCLOSURE.
9	Ltr A/CC 400.38 Stone	13 Oct 44	AFHQ	Fwdg enclosures of major corres- pondence on financial arrangements 4 INCLOSURES
10	Ltr A/CC 100 Stone	13 Oct 44	Kirk	Will figure be pay of US troops retained in theater only?
11	Memo Graftbey Smith	13 Oct 44	Stone	Gen Spofford agrees with com- ments. He will cable.
12	Ltr Kirk	18 Oct 44	Stone	Have recvd response to request for clarification on your queries INCL: Memo & tel fr SECSTATE
13	Ltr Stone	19 Oct 44	Kirk	Further questions on matter.
14	Ltr A/CC 400.38 Stone	19 Oct 44	G-5 AFHQ	Fwdg copies of ltrs of 18 & 19 raising further questions.
15	Memo, Brig Lush	2 Nov 44	A/CC	3646 Civilian Supplies for Italy. INCL: (A)Draft cbl SAC to CCS; (B) Draft cbl by Spofford; (C)Draft of financial telegram to CCS.

SECRET

8 E.C.
Pls follow-up
HMS

OCT 29 1946

F 72901
OCT 28 1145A

H/7493
OCT 28 1645

AFHQ SIGNED SACRED CITE PHGEG
ALCOM

ROUTINE

Action taken also
copy of telegram

SECRET

38/1 MC

SECRET

This is CAL 1570.

Subject Civilian Supply Requirements.

Submit soonest civilian supply requirements for Venezia Giulia under disease and unrest formula for second half of fiscal year 1947 - 1 January - 30 June 1947.

In view of limited availabilities and funds complete justification required for each item and amount.

The above is repeat of message from AGWAR WX 83891 dated 24 Oct 1946.

1. So far only food requirements received which have been forwarded under LAC 1396 dated 24 Oct 1946.

2. x Please expedite balance of requirements.

3645

3. Udine Province is included in para 1 and should be REAE in subject cable and para 3.

AC DIST

Action: Econ Sec (2)

Info: Chief Commissioner

XXX ASAA

CC BR Emb

CA US Emb

UNRRA

OCT 29 1946

SECRET

File

Skeleton

C I S

CENTRO INFORMAZIONI STAMPA

ROMA - VIA L. E. 40

Telef. 40140-43.77-44.761

Anno III° - N. 129

Roma, sabato 8 giugno 1946

SUI REGIMI DELLE IMPORTAZIONI E DELLE ESPORTAZIONI

Questionario N. 5 della Sottocommissione per i problemi

monetari e del commercio estero

1. Nel quadro degli orientamenti più probabili delle politiche doganali degli altri paesi ritenete conveniente l'instaurazione di un regime di libero scambio in Italia? Con attuazione immediata oppure differita al periodo successivo alla ricostruzione? Quali ripercussioni pensate che detta instaurazione avrebbe sulla nostra produzione agricola? E quali sulla nostra produzione industriale? Quali delle varie attività agricole ed industriali pensate che possano sostenere la concorrenza estera e quali no? In che modo è possibile sostenere la concorrenza estera? Qual'è l'importanza, a questo riguardo, della pressione fiscale, del costo della mano d'opera, del tasso di cambio ecc.? Quali ripercussioni credete che il libero scambio avrebbe sull'occupazione operaia e sul reddito?

2. Ammesso il ritorno al libero scambio, come pensate che tale regime influirà sulle condizioni dell'equilibrio della bilancia dei pagamenti? Come evitare la eventuale pressione sulla bilancia dei pagamenti? Quale influenza credete che avrà il libero scambio sulla ragione di scambio internazionale?

3. Dati gli orientamenti della politica commerciale mondiale, ³⁶ri-
tene conveniente una riforma generale doganale in senso protezionistico? Quali attività produttive nazionali ritenete opportuno proteggere? Quali nel settore agricolo? Quali nel settore industriale? Quali pensate saranno le conseguenze negli altri rami produttivi di queste protezioni? Come evitarle? Credete sia conveniente continuare ad adottare gli ormai tradizionali dazi specifici, oppure ritenere preferibili i dazi ad valore? Qual'è il vostro pensiero in merito ai dazi misti? La legislazione doganale deve avere carattere esclusivamente nazionale, nazionale con deroghe regionali, oppure regionale?

4. Ritenete opportuno fiancheggiare sistematicamente il protezionismo doganale con il protezionismo senza dazi o dei premi? Perché? Qual'è il vostro pensiero in materia di premi di produzione; come limitare l'applicazione di questi premi?

SUI REGIMI DELLE IMPORTAZIONI E SULLA SOTTOCOMMISSIONE PER I PROBLEMI

Questionario N. 5 della Sottocommissione per i problemi monetari e del commercio estero

1. Nel quadro degli orientamenti più probabili delle politiche doganali degli altri paesi ritenete conveniente l'instaurazione di un regime di libero scambio in Italia? Con attuazione immediata oppure differita al periodo successivo alla ricostruzione? Quali ripercussioni pensate che detta instaurazione avrebbe sulla nostra produzione agricola? E quali sulla nostra produzione industriale? Quali delle varie attività agricole ed industriali pensate che possano sostenere la concorrenza estera e quali no? In che modo è possibile sostenere la concorrenza estera? Qual'è l'importanza, a questo riguardo, della pressione fiscale, del costo della mano d'opera, del tasso di cambio ecc.? Quali ripercussioni credete che il libero scambio avrebbe sull'occupazione operaia e sul reddito?

2. Ammesso il ritorno al libero scambio, come pensate che tale regime influirà sulle condizioni dell'equilibrio della bilancia dei pagamenti? Quale Come evitare la eventuale pressione sulla bilancia dei pagamenti? Quale influenza credete che avrà il libero scambio sulla ragione di scambio internazionale?

3. Dati gli orientamenti della politica commerciale mondiale, ³ ~~5~~ ³ ~~5~~ ritenete conveniente una riforma generale doganale in senso protezionistico? Quali attività produttive nazionali ritenete opportuno proteggere? Quali nel settore agricolo? Quali nel settore industriale? Quali pensate saranno le conseguenze negli altri rami produttivi di queste protezioni? Come evitarle? Credete sia conveniente continuare ad adottare gli ormai tradizionali dazi specifici, oppure ritenere preferibili i dazi ad valore? Qual'è il vostro pensiero in merito ai dazi misti? La legislazione doganale deve avere carattere esclusivamente nazionale, nazionale con deroghe regionali, oppure regionale?

4. Ritenete opportuno fiancheggiare sistematicamente il protezionismo doganale con il protezionismo senza dazi o dei premi? Perché? Qual'è il vostro pensiero in materia di premi di produzione; come limitare l'applicazione, come evitare gli inconvenienti? Qual'è il vostro pensiero in materia di prezzi di esportazione? Come limitarne l'applicazione, come evitare gli inconvenienti? In ogni caso, come ritenete si possa controllare efficacemente la corresponsione di premi di produzione e di esportazione?

5. Quale estensione ritenete di dare al sistema dei trattati di commercio in materia doganale? Ritenete opportuna la convalida da parte del Parlamento prima che il trattato sia ratificato? Qual'è il vostro pensiero in sulla clausola della nazione più favorita? Qual'è il vostro pensiero in

./.

48

Roma, 8 giugno 1946

pag. n. 2

materia di restituzione di dazi (drawbacks)? Quale estensione ritenete debba essere data all'istituto della temporanea importazione? Per quali merci? Sotto quali condizioni? Quale estensione ritenete opportuno dare al sistema delle zone e dei punti franchi? Sotto quali condizioni giuridiche?

6. Credete che una eventuale unione doganale sarebbe vantaggiosa al nostro paese? Con quali garanzie costituzionali? Con quali paesi limitrofi pensate possibile una unione doganale?

7. Quali modifiche strutturali credete sia opportuno apportare agli organi preposti al controllo degli scambi con l'estero? Ritenete le misure limitatrici delle importazioni, un sistema idoneo ad assicurare il pareggio della bilancia dei pagamenti? In caso negativo, che cosa proponete? Credete necessario imporre divieti di esportazione per alcune merci? Quale criterio seguire in questa scelta? Quale sistema di ripartizione delle quantità di merci da esportare proponete?

8. Ritenete sia da favorire il sistema delle compensazioni private? Quale procedura per l'autorizzazione credete consigliabile? Come pensate si possano eliminare gli inconvenienti delle compensazioni private? Ritenete opportuna l'applicazione permanente dei contingenti? Pensate sia conveniente stabilire in via autonoma liste di merci all'importazione ed all'esportazione? Credete necessario stabilire un ordine di priorità delle merci da importare e da esportare?

9. Qual'è il vostro pensiero in merito al monopolio statale del commercio estero? Credete che detto monopolio possa riuscire utile al nostro paese? Perché? Ritenete convenienti i monopoli statali di importazione per singole merci? Quale estensione ritenete sia opportuno dare a detti monopoli parziali? Per quali merci? Accanto a questi monopoli statali, credete conveniente lasciare l'iniziativa privata libera di importare le stesse merci? Credete siano da favorire le formazioni monopolistiche private per il commercio estero (consorzi, compagnie, enti vari, etc.)? Ritenete sia opportuno sottoporle al controllo dell'autorità statale (legislativo, esecutivo, o anche giudiziario)? Quale sistema proponete?

PROBLEMI DELLA RICOSTRUZIONE IN RUSSIA

Se si considera l'entità dei danni bellici subiti dalla Russia (vedi bollettino di ieri), appare senz'altro che il governo sovietico cerca di accelerare la ricostruzione mediante contributi esteri. Tali contributi potevano pervenire dalle riparazioni, dallo sfruttamento economico delle zone occupate e da crediti esteri.

Gli armistizi conclusi dall'U.R.S.S. con la Finlandia, Rumania e Ungheria prevedevano forniture di macchinari, materie prime, ecc. da parte dei detti paesi alla Russia in conto riparazioni. Il valore delle accennate forniture è stato fissato in dollari, in base ai prezzi vigenti nel-

stro paese? Con quali garanzie costruite con quel paese? Ritenete possibile una unione doganale?

7. Quali modifiche strutturali credete sia opportuno apportare agli organi preposti al controllo degli scambi con l'estero? Ritenete le misure limitatrici delle importazioni, un sistema idoneo ad assicurare il pareggio della bilancia dei pagamenti? In caso negativo, che cosa proponete? Credete necessario imporre divieti di esportazione per alcune merci? Quale criterio seguire in questa scelta? Quale sistema di ripartizione delle quantità di merci da esportare proponete?

8. Ritenete sia da favorire il sistema delle compensazioni private? Quale procedura per l'autorizzazione credete consigliabile? Come pensate si possano eliminare gli inconvenienti delle compensazioni private? Ritenete opportuna l'applicazione permanente dei contingenti? Pensate sia conveniente stabilire in via autonoma liste di merci all'importazione ed all'esportazione? Credete necessario stabilire un ordine di priorità delle merci da importare e da esportare?

9. Qual'è il vostro pensiero in merito al monopolio statale del commercio estero? Credete che detto monopolio possa riuscire utile al nostro paese? Perché? Ritenete convenienti i monopoli statali di importazione per singole merci? Quale estensione ritenete sia opportuno dare a detti monopoli parziali? Per quali merci? Accanto a questi monopoli statali, credete conveniente lasciare l'iniziativa privata libera di importare le stesse merci? Credete siano da favorire le formazioni monopolistiche private per il commercio estero (consorzi, compagnie, enti vari, etc.)? Ritenete sia opportuno sottoporle al controllo dell'autorità statale (legislativo, esecutivo, o anche giudiziario)? Quale sistema proponete?

PROBLEMI DELLA RICOSTRUZIONE IN RUSSIA

Se si considera l'entità dei danni bellici subiti dalla Russia (vedi bollettino di ieri), appare senz'altro che il governo sovietico cerca di accelerare la ricostruzione mediante contributi esteri. Tali contributi potevano pervenire dalle riparazioni, dallo sfruttamento economico delle zone occupate e da crediti esteri.

Gli armistizi conclusi dall'U.R.S.S. con la Finlandia, Rumania e Ungheria prevedevano forniture di macchinari, materie prime, ecc. da parte dei detti paesi alla Russia in conto riparazioni. Il valore delle accennate forniture è stato fissato in dollari, in base ai prezzi vigenti nell'anteguerra. Per i piccoli paesi vinti, tali forniture erano molto gravose, mentre per la Russia, rappresentavano un insignificante aiuto rispetto al fabbisogno. Più importanti erano i macchinari, le merci, il bestiame e quanto altro fu asportato dalle truppe russe in Germania sia come preda bellica, sia in conto riparazioni. In base agli accordi interalleati, la Russia deve soddisfare le sue richieste e quelle della Polonia dalle zone di occupazione russa. Inoltre l'U.R.S.S. può disporre di una certa percentuale di macchinari delle zone occidentali della Germania, ./.

478

Roma, 8 giugno 1946

pag. n. 3

macchinari destinati ad essere asportati in conto riparazioni. Mancano infatti indicazioni precise sul valore di ciò che la Russia ha ottenuto in questo modo dalla Germania o che otterrà ancora. Si ritiene che tali valori siano ingenti e alcuni affermano che le esportazioni siano state maggiori di quanto inizialmente previsto. In seguito al precipitoso ritorno delle popolazioni, fuggite durante l'avanzata tedesca, nelle zone occidentali della Russia, le autorità sovietiche avrebbero dovuto procurare, al più presto possibile, attrezzi, macchinari, bestiame ecc. e ciò sarebbe stato possibile soltanto asportandolo dalla Germania.

Lo sviluppo delle relazioni economiche con i paesi compresi sotto la sua sfera d'influenza, è di massima importanza per la Russia, la quale intende sfruttare le risorse economiche per la ricostruzione. Pare che il governo russo intenda raggiungere meglio il suo scopo, cambiando la struttura economica dei paesi stessi mediante riforme agrarie, nazionalizzazioni e simili misure senza incorporarli nel regime russo. Le risorse economiche degli accennati paesi vengono sfruttate da società miste come ad es. in Ungheria, ove esistono società miste per lo sfruttamento delle risorse petrolifere ecc. Inoltre, si concludono accordi commerciali coi detti paesi allo scopo di orientare il commercio verso la Russia. Si dimostra però che il sistema economico russo rende difficile una penetrazione economica di altre nazioni perchè, mentre i paesi con regime capitalistico possono valersi di partecipazioni di privati nell'economia di un altro paese, in Russia ogni affare è un atto di Stato. Ciò suscita opposizione (vedi il caso del petrolio persiano) e conflitti nel campo della politica estera. La Russia è quindi obbligata a sostenere ogni espansione economica con i mezzi di cui dispone lo Stato fra i quali in prima linea gli eserciti di occupazione. Tali procedimenti oltre essere molto costosi, possono mettere in serio pericolo la pace.

Durante la guerra, la Russia ha ottenuto dai suoi alleati armi e merci. Quando gli Stati Uniti dichiararono di non voler più effettuare forniture in base alla legge affitti e prestiti, la Russia chiedeva all'America, un credito (si è parlato di 4 miliardi di dollari) che però non venne accordato. Tempo fa, gli Stati Uniti si sono dichiarati disposti a concedere alla Russia un credito di 1 miliardo di dollari, tramite la Export-Import Bank, ma sino ad oggi tale offerta non è stata accettata. Pare che il governo russo sia del parere che questa somma non sia di tale entità da giustificare un qualsiasi abbandono, sia pure limitato della sua libertà nel campo del commercio estero. Inoltre, sembra, che la Russia preveda di non aver bisogno di un credito dall'estero potendosi procurare, con altri mezzi, i contributi che le sono necessari per la ricostruzione. (CIS)

LIQUIDAZIONE DELLA GUERRA ECONOMICA

Il corrispondente di Washington del "New York Times" ha da fonte

Russia, le autorità sovietiche avrebbero dovuto procurare, al più presto possibile, attrezzi, macchinari, bestiame ecc. e ciò sarebbe stato possibile soltanto asportandolo dalla Germania.

Lo sviluppo delle relazioni economiche con i paesi compresi sotto la sua sfera d'influenza, è di massima importanza per la Russia, la quale intende sfruttare le risorse economiche per la ricostruzione. Pare che il governo russo intenda raggiungere meglio il suo scopo, cambiando la struttura economica dei paesi stessi mediante riforme agrarie, nazionalizzazioni e simili misure senza incorporarli nel regime russo. Le risorse economiche degli accennati paesi vengono sfruttate da società miste come ad es. in Ungheria, ove esistono società miste per lo sfruttamento delle risorse petrolifere ecc. Inoltre, si concludono accordi commerciali coi detti paesi allo scopo di orientare il commercio verso la Russia. Si dimostra però che il sistema economico russo rende difficile una penetrazione economica di altre nazioni perchè, mentre i paesi con regime capitalistico possono valersi di partecipazioni di privati nell'economia di un altro paese, in Russia ogni affare è un atto di Stato. Ciò suscita opposizione (vedi il caso del petrolio persiano) e conflitti nel campo della politica estera. La Russia è quindi obbligata a sostenere ogni espansione economica con i mezzi di cui dispone lo Stato fra i quali in prima linea gli eserciti e l'occupazione. Tali procedimenti oltre essere molto costosi, possono mettere in serio pericolo la pace.

Durante la guerra, la Russia ha ottenuto dai suoi alleati armi e merci. Quando gli Stati Uniti dichiararono di non voler più effettuare forniture in base alla legge affitti e prestiti, la Russia chiedeva all'America, un credito (si è parlato di 4 miliardi di dollari) che però non venne accordato. Tempo fa, gli Stati Uniti si sono dichiarati disposti a concedere alla Russia un credito di 1 miliardo di dollari, tramite la Export-Import Bank, ma sino ad oggi tale offerta non è stata accettata. Pare che il governo russo sia del parere che questa somma non sia di tale entità da giustificare un qualsiasi abbandono, sia pure limitato della sua libertà nel campo del commercio estero. Inoltre, sembra, che la Russia preveda di non aver bisogno di un credito dall'estero potendosi procurare, con altri mezzi, i contributi che le sono necessari per la ricostruzione. (CIS)

LIQUIDAZIONE DELLA GUERRA ECONOMICA

Il corrispondente di Washington del "New York Times" ha da fonte competente che gli Stati Uniti sarebbero disposti ad abolire entro il mese in corso il sistema delle "liste nere" che sin dal luglio del 1941 è stata una delle armi più potenti della guerra economica. Secondo la stessa fonte anche l'Inghilterra sarebbe disposta a fare altrettanto.

Entro il mese in corso, con molta probabilità, verrà abolito pure il sistema dei "navicert". (CIS)

48

Messages will not be distributed outside British or U.S. Government Departments or Headquarters unless submitted even in Cipher without being enciphered. (Messages marked O.T.P. ~~or~~ or enciphered are exempted).

TX 66376
181030 E

E/3123

MAY 19 1500

ROUTING

FREEDOM SIGNED SACRED CITE FREE

AGWAR WASHINGTON FOR CCS FOR CCAC

INFO: CABINET OFFICES WHITEHALL FOR DCS. USFET MAIN ALCON FOR ASIA CCAIA PARIS
FOR MACINTOSH.

SACRUM

SECRET

THIS IS MAT 1023. SUBJECT IS BILLING ITALIAN GOVERNMENT ~~INTERGOVERNMENTAL~~ ^{INTERGOVERNMENTAL} TO EXCHANGE FOR CIVILIAN SUPPLIES TAN ALIGHAM 42 METERS.

1. FIRST PART OF COMBINED BILL REPRESENTING DIRECT SHIPMENTS TO ITALY FROM U.S. U.K. AND CANADIAN SOURCES DURING PERIOD FROM INITIAL SHIPMENTS THROUGH 31 OCTOBER 1944 EXCLUDING COAL POL AND MEDICAL SUPPLIES FORWARDED TO ITALIAN GOVT ON 11 MAY 46 WITH COPIES TO U.S. AND BRITISH EMBASSIES IN ROME.
2. VALUES INVOLVED AS FOLLOWS. 113167548 (113167548) DOLLARS. 327280(327280) DOLLARS 47860474 (47860474) DOLLARS. FOR US CANADA AND UK RESPECTIVELY REMITTED TO ITALIAN GOVT AS ONE TOTAL 161295302 (161295302) DOLLARS. DETAILS OF COMPUTATION DESPATCHED TO ALL CONCERNED THIS DATE.
3. ALLIED SUPPLY ACCOUNTING AGENCY REPORT THEY HAVE RECEIVED TO DATE VALUES OF DIRECT SHIPMENTS TO ITALY AS FOLLOWS:
- 3641
- (A) US THROUGH 30 NOV 45 OUT OF DATE (B) CANADA THROUGH 31 MARCH 45
(C) UK THROUGH 31 OCT 1944. MAY CANADIAN AND UK FIGURES THROUGH 30 NOV PLEASE BE EXPEDITED.
4. ASAA FURTHER REPORT THAT NO FIGURES YET RECEIVED FOR VALUES OF ISSUES FROM US BRITISH AND CANADIAN MILITARY STOCKS.
5. IT IS ASSUMED THE BILL FOR COAL AND POL WILL BE BASED ON COMBINED PETROLEUM COMMITTEE AND COAL DIVISION ACCOUNTS AS PROVIDED BY YOU. PLEASE CONFIRM.
- INFO: ACTION: ECON SEC 2, CHIEF COMM, EX COMM, AC DIST FINANCE, BRIT EMB, US EMB, REQ BH, FILE, SKELETON

HEADQUARTERS ALLIED COMMISSION

DEC 15 1945

APC 594

ECONOMIC SECTION

Ref. 73/ 13.01

13 December 1945

SUBJECT : Procedures for Imported Petroleum Products

TO : President, Interministerial Committee for Reconstruction
Minister of Industry & Commerce

1. In an effort to clarify responsibilities for the importation and financing of petroleum supplies, representatives of several Allied agencies in Italy met together recently and agreed upon the procedures outlined herein. These points have been cleared with UNRRA Rome. I would appreciate it if the appropriate Ministries would study these procedures to determine whether the Italian Government has a similar understanding of the way in which petroleum problems should be handled. It may be useful to have a meeting at your earliest convenience to clarify any doubtful points and agree on a firm statement of procedure in this important field.

2. The following Allied agencies have concurred in the procedures stated in paragraphs 3 to 6 below : Allied Commission, American Embassy, British Embassy, and Petroleum Section, AFHQ.

3. With regard to the present program of interim supplies for Italy, it was agreed that :

a. Requirements for the Italian civil population should be met from VE funds (i.e. FFA 100-million-dollar appropriation) to the extent possible.

b. The special categories of petroleum users, to whom the Italian Government sub-allocates petroleum products, should receive petroleum products financed from VI (troop pay fund) or other funds available to the Italian Government. These special categories of users are the following :

Vatican
Italian Armed Forces
Diplomatic Corps
UNRRA (for its present limited program)

Where the Italian Government is reimbursed by the user, such reimbursement can then be either in foreign exchange or in local currency, depending on the decision of the Italian Government.

951/cc

2640

951/cu

1. In an effort to clarify responsibilities for the importation and financing of petroleum supplies, representatives of several Allied agencies in Italy met together recently and agreed upon the procedures outlined herein. These points have been cleared with UNRRA Rome. I would appreciate it if the appropriate Ministries would study these procedures to determine whether the Italian Government has a similar understanding of the way in which petroleum problems should be handled. It may be useful to have a meeting at your earliest convenience to clarify any doubtful points and agree on a firm statement of procedure in this important field.

2. The following Allied agencies have concurred in the procedures stated in paragraphs 3 to 6 below: Allied Commission, American Embassy, British Embassy, and Petroleum Section, AFHQ.

3. With regard to the present program of interim supplies for Italy, it was agreed that:

a. Requirements for the Italian civil population should be met from YF funds (i.e. FFA 100-million-dollar appropriation) to the extent possible.

b. The special categories of petroleum users, to whom the Italian Government sub-allocates petroleum products, should receive petroleum products from YF (troop pay fund) or other funds available to the Italian Government. These special categories of users are the following:

Vatican
Italian Armed Forces
Diplomatic Corps
UNRRA (for its present limited program)

where the Italian Government is reimbursed by the user, such reimbursement can then be either in foreign exchange or in local currency, depending on the decision of the Italian Government.

c. The COM-MOC series will in future be used as the channel for all action communications to and from Washington on matters having to do with the supply of POL through January arrivals.

d. The petroleum attaches of the American and British Embassies will be kept currently informed of the status of petroleum supply arrangements made during this interim period.

(96)

4. During the period beginning with February arrivals, it is presumed that UNRRA will be the agency that supplies basic requirements of the Italian economy, including POL, for the Italian civil population. During this period, the petroleum supply for the Italian civil population financed with UNRRA funds will be under the supervision of UNRRA at all stages. Thus, UNRRA will be responsible for:

- a. Screening
- b. Making the split between dollar and sterling sources
- c. Procurement and shipment (by arrangement with the supplying Government)
- d. Reception (by arrangements with C.I.P.)
- e. Working with Italian Government on internal allocation of UNRRA financed POL
- f. Organizing a spot check system to make sure that distribution of POL faithfully reflects the agreed allocation program.

5. Under arrangements being worked out between the American and British Embassies and the Italian Government, the Italian Government will submit a monthly slate through embassy channels. This slate will be the sum of authorized, firm requirements and will represent the actual amount of petroleum which there is money to pay for. The slate will, of course, include not only UNRRA requirements as defined above, but also special requirements now included in the Italian National Program, such as the armed forces, the Vatican, and the Diplomatic Corps; and any petroleum products imports for which the Italian Government wishes to use foreign exchange available to it. The UNRRA part of this slate will be included for information, since the action channel will be UNRRA's own supply machinery.

6. It was recognized by those present at the meeting that most of the actual work of preparing requirements and handling reception and distribution of supplies would be done by the Italian Government.

7. I would appreciate your letting me know if these procedures are agreeable to the Italian Government or whether we should arrange a meeting to discuss them.

Harlan Cleveland
HARLAN CLEVELAND
Acting Vice President

- b. Making the split between dollar and sterling sources
- c. Procurement and shipment (by arrangement with the supplying Government)
- d. Reception (by arrangements with C.I.P.)
- e. Working with Italian Government on internal allocation of UNRRA financed fuel
- f. Organizing a spot check system to make sure that distribution of fuel faithfully reflects the agreed allocation program

5. Under arrangements being worked out between the American and British Embassies and the Italian Government, the Italian Government will submit a monthly slate through embassy channels. This slate will be the sum of authorized, firm requirements and will represent the actual amount of petroleum which there is money to pay for. The slate will, of course, include not only UNRRA requirements as defined above, but also special requirements now included in the Italian National Program, such as the armed forces, the Vatican, and the Diplomatic Corps; and any petroleum products & parts for which the Italian Government wishes to use foreign exchange available to it. The UNRRA part of this slate will be included for information, since the action channel will be UNRRA's own supply machinery.

6. It was recognized by those present at the meeting that most of the actual work of preparing requirements and handling reception and distribution of supplies would be done by the Italian Government.

7. I would appreciate your letting me know if those procedures are agreeable to the Italian Government or whether we should arrange something to discuss them.

Harlan Cheveline
 HARLAN CHEVELINE
 Acting Vice President

- Distribution :-
- C.I.P.
 - American Embassy
 - British Embassy
 - ANPB Representatives
 - PTSTEC, GHQ, CWP
 - Chief Commissioner
 - Executive Commissioner
 - Supply Group
 - Requisition Branch
 - Industry & Utilities S/O
 - (Fuel Department)

F.C.
PNR

2 Oct. 45

COPY

Seen by
M. S. LUSH

No.

31
10

NOTE VERBALE

The American Embassy presents its compliments to the Royal Ministry of Foreign Affairs and, upon instructions from the Department of State, offers the following reply to the Ministry's communication of January 9, 1945 (No. 00274), transmitting a memorandum of the same date regarding the economic and financial situation of Italy. The present communication will also serve as a reply to the letter of June 1, 1945 addressed to the Allied Commission for the American Ambassador by the President of the Council of Ministers, concerning the provision of credits to the Italian Government to meet urgent recovery needs.

The Government of the United States is keenly aware of the economic problems which confront the Italian Government, among them the budget deficit which it faces, the inflation of domestic prices, the deficit in its external payments position and the urgent need of Italy to receive supplies. It is the earnest desire of the United States Government to cooperate to the fullest extent possible in aiding in the solution of Italy's problems.

The Royal Ministry's memorandum of January 9, 1945, above referred to, raises the following three fundamental problems:

- (1) The deficit in Italy's external payments position;
- (2) The settlement to be reached between Italy and the United States in connection with various claims arising out of the war;
- (3) The budgetary deficit of the Italian Government and the

(45)

957/ce

3639

✓3

- 2 -

problem of controlling inflation in Italy.

With reference to the first of these problems, Italy's basic import requirements for civilian supplies have been and continue to be met by the combined supply program of the United States, United Kingdom and Canada. These requirements will be met next year by the United Nations Relief and Rehabilitation Administration, if the additional funds which were recently requested by the UNRRA Council are furnished by the participating governments. The provision of such aid in the near future would make it unnecessary to obtain a credit, such as was requested in the letter of June 1 from the President of the Council of Ministers, for the financing of the most essential imports.

It is recognized that the Italian Government also faces the problem however of financing the importation of urgently needed supplies for reconstruction purposes, not included within the scope of the UNRRA program. With respect to that problem, the United States Government has a sympathetic understanding of the reconstruction needs of European countries and its policy is to provide assistance, whenever possible and appropriate, in meeting those needs. In the case of Italy the United States Government is prepared to discuss with the Italian Government representatives the provision of funds for reconstruction needs, for example, through the Export-Import Bank. Loans are made by the Export-Import Bank for specific projects, as the Italian Embassy in Washington has been informed, and those who apply for loans from the Export-Import Bank must therefore be prepared to furnish detailed information concerning the specific projects contemplated and the source from which repayment of loans is expected.

3638

45

- 3 -

With respect to the second problem, the matter of reimbursement for M-line issues and for requisitions by the United States armed forces in Italy is related intimately to the financial settlement which will ultimately be made with regard to claims arising out of the war and also to the obligation of the Italian Government to pay for civilian supplies furnished to Italy. It is therefore expected that these matters will be taken up in connection with the treaty of peace.

The third fundamental problem, regarding the internal financial situation in Italy, cannot be solved by external assistance alone. The control of inflation in Italy involves internal measures and controls as well as the supply of an adequate volume of essential goods from abroad. The United States Government can be of assistance only in enabling the Italian Government to obtain necessary imports, but such help cannot alone provide a solution for inflation and the general financial breakdown which threatens Italy.

It is therefore of highest importance that prompt and stringent measures be taken by the Italian Government to control wages and prices and to eliminate the black market. It is equally important, towards 3637 increasing revenues, that the Italian Government modernize and improve the efficiency of the taxation system, that it adopt appropriate emergency tax measures and that it take steps to assure the most efficient use of funds expended. Inasmuch as a prompt reordering of the internal financial situation is of utmost importance in restoring normal foreign trade and financial relations, the United States Government hopes that the Italian

(49)

- 4 -

Government will be able to take more positive action in the future than it has in the past to increase the effectiveness of controls to combat inflation.

Rome, October 29, 1945.

To the Royal Ministry of Foreign Affairs,
Rome.

HFAdinsworth/eh

HGA

C O P Y

3636

(45)

OCT 17 1945

219

Translation

The President of the Council of Ministers

16976/13073.1.15/19.11

Rome, 15 Oct. 1945

Dear Admiral Stone,

I received a copy of the Journal of the third meeting of the U.N.H.R.A. Council, which took place last August in London, and I want to thank you for sending it to me; I appreciate it very much.

In the Journal, I once more saw the passionate interest taken by the representatives of the great American and British Nations, on account of their Governments, in the difficult situation of Italy, and their generous efforts to meet our numerous and deeply felt requirements.

May I express to them the appreciation and gratitude of the Italian nation, as well as my own; I want you, my dear Admiral, who supervise our fate with such care and goodwill, to be informed of our gratitude, and I remain,

Yours sincerely,

S. Ferruccio Parri

Admiral Ellery A. Stone
Chief Commissioner
Allied Commission
Rome

3635

EO DIST - 16 Oct 45
Info & Action : Econ Sec (2)
Info : Chief Commr
Exec Commr
C.A. Sec

trans. e/o

44

✓ 5

985/00

0957

13211/T

13 July 1945

My dear Mr. Prime Minister:

I write with reference to the letter dated 9 January, 1945, and its attached memorandum, to this Commission from the Ministry of Foreign Affairs in which the Italian Government requested reimbursement to Italy in foreign exchange for the Allied Military Lira issued and the value of requisitions made by the Allied military forces in Italy.

I am now directed by the Combined Chiefs of Staff to inform your Government that the respective Allied Governments concerned will make replies to the memorandum referred to above directly to the Italian Government through diplomatic channels.

Yours very truly,

E. Elmer W. Stone

ELMER W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio Parri
President of the Council of Ministers
Italian Government
Rome

3634

DISTRIBUTION:

American Ambassador } dispatched by EC, 18 July 45 (also orig. to Parri)
British Ambassador }
Political Adviser (A)
Political Adviser (B)
Executive Commissioner
Finance Subcommittee
Chief Commissioner Files

43

13214/P.

12 June 1945.

My dear Mr. Ambassador:

With reference to my letter 13214/P of 9 June, 1945, I enclose a copy of a letter in translation received from the President of the Council of Ministers, dated 11 June, 1945.

You will note that the request for the granting of a \$ 300 million loan to Italy by the United States Government has been suspended by the Italian Ambassador in Washington pending the preparation of new data.

MILLY W. STONE
Rear Admiral, USNR
Chief Commissioner.

The Honorable Alexander Kirk,
American Ambassador,
119, Via Vittorio Veneto,
Rome.

3533

42

451/CL

Translation

The President of the Council of Ministers
37631/37002/15.5

Rome, 11 June 1945

C.C. 1456
JUN 12 RECD

Dear Admiral,

I refer to my letter of the 1st, n. 37002/15.5 in which I drew your kind attention and asked for your intervention about a request which, through the U. Ambassador in Washington, the U. Government means to make to the Government of the United States for the granting of a loan.

After my letter had been sent to you, the competent Administrations deemed it useful to modify the form which had been given to the said request, for greater precision, gathering facts and elements which, especially for what concerns North Italy, were not yet known when this letter was written. These elements concern the assets which were found in Italy, and the requirements which can only be mentioned after a more precise ascertainment of the situation of industry in the zones which have recently been liberated.

Therefore, while the U. Ambassador in Washington has suspended the presentation of the request to the American Government, I ask you, my dear Admiral, to cancel the communication I sent you on this subject, till I can replace it with another taking in consideration the new note which is being drafted.

I remain, my dear Admiral,

yours truly,

Admiral Stone
Chief Commissioner
Allied Commission
R.O.M.

o.g.

S. L. Bonomi

See 47
EC List - 12 June 45
3632

Action: Finance Sec.

INFO: Chief Comr

Exec Comr

Econ. Sec.

Seen by CC
on F/Sec file
PB

951/CC

13214/P

9 June 1945

My dear Mr. Ambassador:

I attach hereto a copy of a communication I have received from the President of the Council of Ministers, and a copy of my reply thereto.

The Italian Government, through the Italian Embassy in Washington, is apparently making a formal request for a long-term of credit of 300 million dollars to be granted by the Government of the United States to Italy.

As you know Italy has already been granted a credit of 100 million dollars, representing net U.S. troop expenditures in Italy. The figure of 100 million dollars covers only the period through 31 December 1944. A further amount is therefore due to Italy for the period 1 January to 31 May, 1945, which will presumably be credited to the Italian account after the necessary calculations have been made in Washington. Bearing in mind that all liberated countries will make heavy demands upon the productive capacity of the U.S. for reconstruction supplies, and the fact that the place of Italy in the scale of priorities is not high, it is difficult to know whether the U.S. Government would be prepared to grant further dollar credits unless they were related to a programme of rehabilitation supplies approved and available during the next six months or a year.

Italy has been receiving, since July, 1943, what in effect has been a substantial continuing loan - the civilian supplies essential to prevent disease and unrest. These supplies, consisting of foodstuffs, medical supplies, coal, and petroleum products, represent a value for the U.S. share alone of over 200 million dollars to the present time. The "Category A" supplies, as they are generally known, have been purchased, for the most part, from War Department funds. Should the period of military responsibility end, and if no U.S. civilian agency were then to carry future "Category A" supplies in its budget, such supplies would thenceforth have to be paid for from existing Italian funds which would presumably have already been committed for reconstruction supplies. Such a development would raise, in a most immediate and serious form, the question of long-term finance for Italy. We have not yet had a decision from the Combined Chiefs of Staff on duration of the period of military responsibility.

/2....

- 2 -

The requests in para 4 of the memorandum for lend-lease and a revision of the financial clauses of the Armistice are a repetition of former requests made some time ago to the U.S. Government.

I should be most interested to learn whether the formal request for the long-term credit has in fact yet been made, and, if so, the preliminary views of the U.S. Government thereon.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Hon. Alexander Kirk,
U.S. Ambassador,
U.S. Embassy,
R o m e.

3630

40

0952

13214/F

9 June 1945

My dear Mr. Prime Minister:

I wish to acknowledge receipt of your letter 37002/15.5 of 4 June, 1945, transmitting a memorandum which I understand has been presented to the Government of the United States by the Italian Embassy in Washington.

You are aware that a request for the extension of a long-term credit by the United States is a matter for decision at the governmental level and you have raised the question at that level. It would not be appropriate for the Allied Commission to make any recommendation, as your request is addressed to only one of the Governments represented on the Allied Commission. The views of the industrial and financial specialists of the Commission will, of course, be placed at the disposal of the American Embassy in Rome for consultation and advice.

Yours very truly,

/s/ Elery W. Stone

ELERY W. STONE
Rear Admiral, USNR
Chief Commissioner

His Excellency Ivanoe Bonomi
President of the Council of Ministers
Italian Government
Rome

3020

39

4511/cv

6 June 1945.

My dear Mr. Ambassador:

I am forwarding herewith for your information a copy of a letter dated 1 June 1945 from the Price Fixing Unit, together with a copy of the memorandum on the subject of opening of credit.

Very truly yours,

W. Ellery W. Stone

WILLIAM E. STONE
Rear Admiral, USNR
Chief Commissioner

The Honorable Alexander Kirk,
American Ambassador,
119 Via Vittorio Veneto,
Rome.

cc: EX. C.
ECON. SEC.
CC FILES

Ref. 37002/15.5

951/ce

3628

38

See 37

0984

Translation

The President of the Council of Ministers
37002/15.5

Rome, 1 June 1945

Dear Admiral,

I enclose a copy of the memorandum sent to the Italian Embassy in Washington, to be the subject of a request for an opening of credit to the Government of the United States, to help the economic rehabilitation of North Italy and avoid the danger of trouble among the workers.

I shall be most grateful for your intervention in support of our request.

Ivanoe Bonomi

Admiral Ellery W. Stone
Allied Commission
Rome

CANCELLED

EC DIST - 33827 H5

ACTION : ECONOMIC (2)

INFO : CHIEF COMMR

EXEC COMMR

American
Ambassador
(6/6/45)

G.O.

37

See 38
By 41

951/cu

Translation

Memorandum

for H.E. the American Ambassador

1. - In drafting the first aid program, which is now being discussed by the competent organs of Washington with the collaboration of the Italian experts, the Italian Government meant to ask what was strictly necessary for the reconstruction of Italian economy in the South region, which had already been liberated at that time. The Italian Government was to send a second plan, which could take in consideration the requirements of North Italy, still to be liberated.

The news which up to now reached Rome about the industrial situation in North Italy are most encouraging if compared with the conditions in which South Italy was found, but at the same time, they give rise to many preoccupation of an economic and political character.

In spite of air bombardments, destruction and sabotage by the German invasion troops, the essential elements of most of the industrial plants in North Italy are practically intact: electric power, buildings, and most of the machinery. This is however, the outward aspect of the situation: on the contrary, for what concerns the resumption of works and production, there are many deficiencies which prevent the rehabilitation of the largest group of industries in Italy.

The above mentioned deficiencies can be summed up in three points: lack of coal, preoccupying lack of raw materials (cotton, wool, metals, etc.) and need to replace destroyed machinery or parts of engines. Though the external equipment is almost intact, the interior conditions for the resumption of works are lacking. The fact remains that with not great, but limited sacrifices, and in a not very long period of time, the industries of North Italy can recover their full efficiency, thus hastening the economic rehabilitation of the country.

For all these reasons, and while waiting to know with the required precision the true state of things in North Italy, to draft a final reconstruction program, it seems that we can already say that what North Italy most urgently requires is the financing of foreign purchases.

2. - The necessity of taking action because of these reasons of an economic character is further increased by political considerations which are of capital importance at the present moment. If the great industrial organization in Piedmont, Liguria, Lombardia, Veneto, and Emilia does not soon start working again, a great danger will arise because of the unemployment of several million workers who are now armed and know how to make use of the weapons with which they courageously and victoriously defended the plants and the machinery against the Germans.

The political situation in the regions which have lately been liberated is already most delicate, and makes it advisable to avoid the above mentioned possibility, which might bring about trouble, riots and very dangerous mass movements; for this reason, the Italian Government feels entitled to appeal to the Government of the United States which has already shown so great a comprehension of the Italian situation and of the need of bringing remedy to her evils.

3. - To cope with the situation immediately and strongly, an opening of credit

0 4 6 5

The news which up to now reached Rome about the industrial situation in North Italy are most encouraging if compared with the conditions in which South Italy was found, but at the same time, they give rise to many preoccupation of an economic and political character.

In spite of air bombardments, destruction and sabotage by the German invasion troops, the essential elements of most of the industrial plants in North Italy are practically intact: electric power, buildings, and most of the machinery. This is however, the outward aspect of the situation: on the contrary, for what concerns the resumption of works and production, there are many deficiencies which prevent the rehabilitation of the largest group of industries in Italy.

The above mentioned deficiencies can be summed up in three points: lack of coal, preoccupying lack of raw materials (cotton, wool, metals, etc.) and need to replace destroyed machinery or parts of engines. Though the external equipment is almost intact, the interior conditions for the resumption of works are lacking. The fact remains that with not great, but limited sacrifices, and in a not very long period of time, the industries of North Italy can recover their full efficiency, thus hastening the economic rehabilitation of the country.

For all these reasons, and while waiting to know with the required precision the true state of things in North Italy, to draft a final reconstruction program, it seems that we can already say that what North Italy most urgently requires is the financing of foreign purchases.

2. - The necessity of taking action because of these reasons of an economic character is further increased by political considerations which are of capital importance at the present moment. If the great industrial organization in Piedmont, Liguria, Lombardia, Veneto, and Emilia does not soon start working again, a great danger will arise because of the unemployment of several million workers who are now armed and know how to make use of the weapons with which they courageously and victoriously defended the plants and the machinery against the Germans.

The political situation in the regions which have lately been liberated is already most delicate, and makes it advisable to avoid the above mentioned possibility, which might bring about trouble, riots and very dangerous mass movements; for this reason, the Italian Government feels entitled to appeal to the Government of the United States which has already shown so great a comprehension of the Italian situation and of the need of bringing remedy to her evils.

3. - To cope with the situation immediately and strongly, an opening of credit would be necessary to provide to the most urgent requirements of the present moment, concerning raw materials, spare pieces, etc; the total amount foreseen would be of 300 million \$. This opening of credit might be paid back within a reasonable lapse of time, after agreeing about the rate of procedure. We point out that the resumption of production, thus made possible, would allow the drafting of a plan bringing about the full rehabilitation of all the industries of the North within a short delay, and making it possible not to postpone considerably the beginning of the service for the extinction of the loan.

The Italian Government feels that foreign credits for the above mentioned amount would have a good and immediate effect from the economic and political point of

31

view, might be decisive for the resumption of productive work and bring quiet and trust in the agricultural and industrial masses of the most united, important and sensitive zone of the Country.

4. - Inspired by the same preoccupations, the Italian Government begs again the Government of the United States to examine the possibility of extending the 'Lend and Lease law' to Italy, or else, adopting some other form of 'mutual help'. It could also take in consideration the granting of a counterpart to the am-lire issued in Italy, and used, not to pay the troops, but for military and occupation expenses, as well as a counterpart for the very heavy expenses in lire borne by the Italian Government on account of the Allies for requisitions, supplies, works of all kind done for the Military Commands.

5. - The Italian Government deemed it its duty to emphasize the complexity of the present situation and hopes that the Government of the United States will agree to the proposals hereby expressed which would give the necessary means to face it and solve it.

Roma, 15 May 1945

E.C.

3625

132114/F

9 April 1945

My dear Mr. Ambassador:

(33)
With further reference to your letter of 6 April, 1945, I enclose a copy of a letter I have addressed to the President of the Council of Ministers, conveying to him the information contained in the telegram you received from the Department of State.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honorable Alexander Kirk
American Embassy,
Rome.

9511/CC
3624

(36)

283

HEADQUARTERS ALLIED COMMISSION
Office of the Chief Commissioner
APO 394

9 April 1945

13211/F

My dear Mr. Prime Minister:

With further reference to my letter 13211/F of 15 January, 1945, I have now received word from the United States Government that a further transfer of \$50,000,000 was made on 15 March, 1945, to the special deposit account in the U.S. Treasury Department in the name of the U.S. Secretary of the Treasury for the account of the Italian Government, representing the dollar equivalent of the lire paid to civilians by American troops in Italy out of their pay.

The total of \$100,000,000 which has now been credited to this account covers the period through 31 December, 1944.

At the request of the Foreign Economic Administration, \$10,000,000 has been transferred from the special deposit account to F.E.A. account to finance purchases of supplies for Italy within the approved program.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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

cc : The Hon. Alexander Kirk
Sir Noel Charles
G-5, AFHQ
Executive Commissioner
Economic Section
Finance Sub-Comm.
"A" File

3623

J. J. 7.
35

95-11-62

EWB/afe

CC 951

9 April 1945

Dear Mr. Kirk:

Thank you for your letter of April 6th which enclosed a copy of the telegram from the Department of State announcing that the Italian troop pay account has been set up in the United States Treasury and that the certification of an additional fifty million dollars to this account has been made by the War Department.

Sincerely yours,

/s/ Elery W. Stone

ELERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Honorable Alexander Kirk
American Ambassador
119 Via Vittorio Veneto
Rome

cc: EXEC. COMM
CC FILES

3622

APR 9 RECD
CC 1100



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

PERSONAL

Rome, April 6, 1945.

Dear Admiral Stone:

I am enclosing a copy of a telegram received recently from the Department of State at Washington announcing that the Italian troop pay account has been set up in the United States Treasury, and the certification of an additional fifty million dollars to this account by the War Department.

The cumulative total of certifications through December 31, 1944, accordingly, now amounts to one hundred million dollars.

Sincerely yours,

R. K.

Enclosure:

Copy of telegram

Admiral Ellery W. Stone,

Chief Commissioner,

Allied Commission,

Rome.

ACTION: *Finance 5/c*

INFO: *Exec. Commr.*
CC FILES

33

3621

951/cc

APP 9 RECD
CC 1100

COPY OF TELEGRAM

The Italian troop pay account has been set up in the US Treasury in accordance with the principles contained in the letter from the Italian Treasury Minister to Secretary Morgenthau, dated January 20. On March 15, an additional \$50,000,000 was certified to this account by the War Department, bringing troop pay expenditures through December 31, 1944 to \$100,000,000. Following a F.E.A. request, \$10,000,000 was transferred from the troop pay account to F.E.A. account in order to finance purchases of supplies within the approved program.

36200

PERSONAL

PERSONAL

13214/F.

22 January 1945.

My dear Mr. Ambassador:

I refer to your letter of 8 December 1944, transmitting inter alia the text of a suggested letter to be addressed by the Minister of the Italian Treasury to the Secretary of the United States Treasury.

Enclosed herewith for transmission to Washington is a letter dated 20 January 1945, duly signed by the Italian Minister of Treasury, together with a copy for your files. The sole alteration made to the original text is the addition in certain places of the words in parenthesis "Ministry of Treasury" after the words "Italian Government". This change appears to be harmless and is said to be in accord with normal Italian practice.

Yours very truly,

Is/ Ellery W. Stone

ELLEERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Hon. Alexander Kirk,
American Embassy,
Rome.

cc: COS
Finance S/C
A Files

3619

32

COPY

Rome, 20th January 1945

IL MINISTRO DEL TESORO

My Dear Mr. Secretary:

It is the desire of the Italian Government that the necessary procedures be put into operation to implement the policy announced by the President of the United States on 10 October, 1944 whereby the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay will be made available to the Italian Government for the procurement of necessary civilian supplies in the United States. It is understood that the United States Government is making such dollar credits available without prejudice to any claims whatsoever it may have against the Italian Government in the final peace settlement.

Accordingly the Italian Government (Ministry of Treasury) requests that a special deposit account be established in the Treasury of the United States in the name of the United States Secretary of the Treasury for the account of the Italian Government (Ministry of Treasury) and this account be credited from time to time with the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay, which are to be made available for the benefit of the Italian Government.

The United States Treasury is authorized, pending further advice from the Italian Government - Ministry of Treasury - to charge this account currently with the dollar amounts certified by the Foreign Economic Administration to the United States Government to be required for the procurement of civilian supplies approved by the Italian Government. It is understood that the amounts certified by the Foreign Economic Administration may be adjusted either on the basis of ordinary incidents of procurement or as may be otherwise mutually agreed to by the FEA and the Italian Government - Ministry of Treasury - and that appropriate charges or credits will be made in the account without further authorization to reflect any such adjustments.

The United States Treasury is further authorized to charge or credit the account as necessary to reflect any adjustments in the certifications of the United States War and Navy Departments as to the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay when such adjustments are indicated as a consequence of audits or other revisions in the accounts of disbursements.

(Sgl) Marcello Solmi
Minister of the Treasury

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
United States Treasury Department
Washington 25, D.C.

31

See

32

13214/F.

15 January 1945.

My dear Mr. Ambassador:

I refer to your letter of 11 January 1945, enclosing a copy of a telegram from the State Department indicating that an initial transfer of \$50,000,000 has been made to the account of the Italian Government in the U.S. Treasury Department.

Enclosed herewith is a copy of a letter I have addressed to the President of the Council of Ministers, transmitting the information contained in the telegram from the State Department and urging that the necessary letter of authorization for the U.S. Treasury to operate the special deposit account (a draft of which was attached to my letter 11.05/ES of 27 December 1944, to the President of the Council, copy of which you received) be transmitted to the Allied Commission as soon as possible for forwarding to Washington. I shall notify you at once when such a letter is received.

Yours very truly,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Hon. Alexander Kirk,
American Embassy,
Rome.

3617

FILES A

30

951/CC

13211/V.

15 January 1945.

My dear Mr. Prime Minister:

With further reference to my letter 11.05/83 of 27 December 1944, I have now received word from the United States Government that an initial transfer of \$50,000,000 has been made to the special deposit account in the United States Treasury Department in the name of the U.S. Secretary of the Treasury for the Account of the Italian Government.

A further transfer of the amount of dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay will be made when the necessary accounting has been completed in Washington and it is expected that the next transfer will be made about 30 March 1945.

In order that the procedures for the use of the special deposit account may be definitely laid down, I should be most grateful if you would indicate when the necessary letter of authorization from the Minister of the Treasury to the United States Secretary of the Treasury will be prepared and delivered to the Finance Sub-Commission for transmission to Washington. The United States Government is anxious to receive this letter as soon as possible.

Yours very truly,

HENRY W. STONE
Rear Admiral, USNR
Chief Commissioner

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

cc Sir Noel Charles
The Hon Alexander Kirk
G-5, AFHQ
COS,
Finance Sub-Commission,
Economic Section,
"A" File.

3618

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION
TEL: 417

13214/F

15 January 1945

SUBJECT: Payment of Dollar Equivalent of Lire Expenditures.

TO : Chief Commissioner,
HQ, Allied Commission.

1. I refer to your memorandum CC951 of 15 January, 1945, attaching copies of a letter and telegram received from Ambassador Kirk.
2. Attached hereto are suggested letters for your signature to the President of the Council of Ministers and Ambassador Kirk.
3. Your letter 11.05/ES of 27 December, 1944, informed the Italian Government that an initial transfer of \$ 50,000,000 would be made (para. (b)(ii)), a transfer which has now been effected.
4. These dollars are for Category "B" items.

J. J. Taylor
Creditor, U.S. to L.R.
Joint Director,
Finance Sub-Commission.

3615

FILE.
Q.

JAQ/hjp

CC 951

15 January 1945

TO: Finance Sub-Commission, Hq A.C.

5 copies

1. The attached copies of a letter and enclosure have been received from the American Ambassador.

2. The Chief Commissioner requests that you prepare for his signature an acknowledgement to Mr. Kirk and an appropriate letter to the Italian Government.

3. Admiral Stone further wishes to know if you could tell him if this transfer of 50 million dollars is for "B" items.

J. A. QUAYLE
Major, R. A.
Staff Officer to CC

3614

CC 102

JAN 12 RECD

Rome, January 11, 1945.

URGENT

PERSONAL

Dear Admiral Stone:

With reference to my letter of December 8, 1944,
I am enclosing a copy of a telegram received today from
the Department of State at Washington announcing that an
initial transfer to the account of the Italian Government
in the Treasury Department of fifty million dollars has
now been made, representing a partial payment in the dollar
equivalent of lire expenditures out of troop pay.

I shall be glad if you will communicate to me any
further developments in connection with this matter which
may come to your attention, with special reference to the
obtaining of the Italian Government's agreement to the
proposed procedures communicated in my letter of December
8th.

Sincerely yours,

A. Keith

Admiral Ellery W. Stone,
Chief Commissioner,
Allied Commission,
R o m e.

(27)

See (28)

951/cc

for B
Items

Enclosure No. 1

January 11, 1945.

There has now been made an initial transfer to the account of the Italian Government in the Treasury Department of Fifty Million Dollars (Re Department's 539* Dec. 2). This represents a partial payment in the dollar equivalent of life expenditures out of troop pay. It was possible to make only partial payment because of difficulties in accounting procedures and War Department has informed USSTRSY that complete accounting for the periods up to September 30, 1944 and up to December 31, 1944 will be made by March 15, 1945 and quarterly thereafter. It is expected that the next transfer to the Italian Government account will be made about March 30, 1945.

Please inform Italian Government.

Have you received any indication as to when report from Italians on procedure set forth in Department's 539* may be expected.

* * * * *

There has now been made an initial transfer to the account of the Italian Government in the Treasury Department of Fifty Million Dollars (Re Department's 539* Dec. 2). This represents a partial payment in the dollar equivalent of lire expenditures out of troop pay. It was possible to make only partial payment because of difficulties in accounting procedures and War Department has informed USTRSY that complete accounting for the periods up to September 30, 1944 and up to December 31, 1944 will be made by March 15, 1945 and quarterly thereafter. It is expected that the next transfer to the Italian Government account will be made about March 30, 1945.

Please inform Italian Government.

Have you received any indication as to when report
3612
from Italians on procedure set forth in Department's 539*
may be expected.

* * * * *

* The Department's 539 December 2 transmitted a statement of the procedures to be followed at the present time in the use of the dollar equivalent of the lire expended by American troops in Italy out of their pay and allowances. That statement was communicated as the first enclosure to Mr. Kirk's letter of December 8, 1944 to Admiral Stone.

(27)

EWS/dfc

27 December 1944

21A-22a+b

Dear Frank:

I am enclosing herewith copies of additional memoranda received from John Lawler for your reading and files.

Sincerely,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Commander Frank A. Southard, Jr.
Financial Adviser
G-5 Section, AFHQ
APC 512

9511cc

Incls. { *Conference in Washington + Financial*
 Notes re Italy } 3611

(26)

FILES

EWS/aml.

11.05/ES

27 ~~th~~ December 1944.

My dear Mr. Prime Minister:

With reference to my letter of 8 November 1944, I have now received from the United States Government an explanation of the procedures to be followed at the present time in the use by the Italian Government of the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay.

The procedures outlined below are intended to provide a temporary operating mechanism until such time as conditions permit other arrangements which may then be worked out in consultation with the Italian Government. The exact amount of lire expenditures to date has not as yet been determined, but the amount is now estimated to be somewhat in excess of one hundred million dollars.

The scope of the military program as now defined may be subject to change. From this it follows that the type and quantity of essential supplies which the Italian Government may desire to purchase with these funds may vary accordingly even before the military program ceases. Furthermore, upon cessation or reduction of the military program the Italian Government may have to plan on the use of these funds for purchases of the types of supplies now furnished by the military. It is realized that in the absence of a definite specification of the content and duration of the combined US-UK military program effective planning of the use of the troop expenditure dollars is most difficult.

The procedures are as follows:

(a) Procedure for submission of requests by the Italian Government.

(i) The Italian Government may submit requests for essential supplies other than those to be furnished by the military. These requests shall be formulated with the approval and assistance of the Allied Commission as long as such approval or assistance is required.

(ii) Such requests should be submitted through the Economic Section, Allied Commission, to the Combined Liberated Areas Committee which will screen them.

(iii) In cases where the United States procurement responsibility has been agreed upon, the Foreign Economic Administration will then proceed with the procurement and delivery of supplies, subject to availability of shipping.

951/CS

3610

See (29)

234

(b) Financial procedures:

(1) The dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay will be paid into an account in dollars to be established in the United States Treasury for the account of the Italian Government.

(ii) It is proposed that an initial credit of \$50,000,000 will be made to the account and that additional credits will be made from time to time as the United States Treasury receives from the United States War and Navy Departments certified statements as to the amounts of dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay. The United States Treasury should receive from the Italian Government a blanket authorization to credit this account automatically as outlined above and to debit the account automatically as outlined in (iii) below. I attach hereto a draft of a letter which the United States Treasury Department desires to receive from the Minister of the Treasury in your Government regarding the operation of the account. I suggest that such a letter be prepared by the Minister of the Treasury and delivered to the Joint Director of the Finance Sub-Commission, Allied Commission, for transmission to Washington.

(iii) As soon as FEA certifies to the United States Treasury that either a. FEA is procuring or has authorized the procurement of essential supplies requested by the Italian Government, or b. FEA has obtained the agreement of the Italian Government to pay out of the account for supplies procured or to be procured from U.S. sources, the Treasury will make available to FEA, or as directed by it, funds to cover such procurement and incidental expenses or such agreement to pay and will automatically debit the account therefor. Appropriate adjustments will be made to the account on basis of detailed vouchers which FEA will submit to the Treasury Department and to the Italian Government certifying the amounts and prices of the items which it has procured. Other adjustments will be made to the account as may be mutually agreed upon between FEA and the Italian Government.

(iv) These funds are of course not to be used to pay for any goods delivered to Italy prior to the date of the opening of the account.

Yours very truly,

ELLERY W. STONE
Rear Admiral, USN
Chief Commissioner

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

cc Sir Noel Charles
Hon. Alexander Kirk
G-5, AFHQ, Chief of Staff,
Econ. Sec. Fin. Sub-Com.
"A" File.

D R A F T.

My dear Mr. Secretary:

It is the desire of the Italian Government that the necessary procedures be put into operation to implement the policy announced by the President of the United States on 10 October, 1944 whereby the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay will be made available to the Italian Government for the procurement of necessary civilian supplies in the United States. It is understood that the United States Government is making such dollar credits available without prejudice to any claims whatsoever it may have against the Italian Government in the final peace settlement.

Accordingly the Italian Government requests that a special deposit account be established in the Treasury of the United States in the name of the United States Secretary of the Treasury for the account of the Italian Government and this account be credited from time to time with the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay, which are to be made available for the benefit of the Italian Government.

The United States Treasury is authorized, pending further advice from the Italian Government, to charge this account currently with the dollar amounts certified by the Foreign Economic Administration of the United States Government to be required for the procurement of civilian supplies approved by the Italian Government. It is understood that the amounts certified by the Foreign Economic Administration may be adjusted either on the basis of ordinary incidents of procurement or as may be otherwise mutually agreed to by the FEA and the Italian Government and that appropriate charges or credits will be made in the account without further authorization to reflect any such adjustments.

The United States Treasury is further authorized to charge or credit the account as necessary to reflect any adjustments in the certifications of the United States War and Navy Departments as to the dollars corresponding to the amount of lire paid to civilians by American troops in Italy out of their pay when such adjustments are indicated as a consequence of audits or other revisions in the accounts of disbursements.

3608

Marcello Soleri,
Minister of the Treasury.

The Honourable Henry Morgenthau, Jr.,
Secretary of the Treasury,
United States Treasury Department,
Washington, D.C.

756 1004

EWS/dfc

13018/F

CONFIDENTIAL

14 December 1944

Subject: Procuring of Essential Supplies in the United States

To: Assistant Chief of Staff, G-5 Section, Allied Force
Headquarters, AFV 512

1. The Allied Commission has received from the United States Department of State, through Ambassador Kirk, an explanation of the procedures to be followed in using the troop expenditure dollars to procure essential supplies in the United States as requested by the Italian Government. A copy of the relevant documents was attached to Finance Subcommittee's letter 13025/F of 12 December 1944 addressed to the Financial Adviser, G-5.

2. The statement of explanation referred to above has been incorporated, with certain minor changes, in a letter which I propose to send to the President of the Council of Ministers. You will note that the procedure is divided into two parts - the submission of requests, which are to be screened by a combined agency, the Combined Liberated Areas Committee; and the use of the troop expenditure dollars to pay for the supplies procured from U.S. sources. In view of the combined character of the first part of the procedure, it is requested that you indicate whether you approve of that part of the attached letter dealing with the submission of procurement requests to CLAC. The financial procedure appears to have been agreed by the U.S. agencies concerned, the State and Treasury Departments, and, as it is not a combined procedure, approval thereof does not lie within the competence of this Theatre.

3. I should be grateful for an early reply, as it is desirable that the mechanism of procedure be established well in advance of the time when the requests are to be transmitted to CLAC.

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

3607

1 Incl: Proposed letter to
Prime Minister Bonomi.

cc: Sir Noel Charles
Hon. Alexander Kirk
Chief of Staff, AC
Economic Section Finance Subcommittee
A Files

EWS/afe

9 December 1944

Dear Mr. Kirk:

This will acknowledge receipt of your letter of the 8th forwarding an explanation of the procedure to be followed at the present time in the use of the dollar equivalent of the lire expended by American troops in Italy out of their pay and allowances, together with a suggested letter from the Italian Finance Minister to the Secretary of the Treasury of the United States.

As soon as this matter has been reviewed by the Economic Section of this Commission, I will take up the matter with the Italian Government, as you requested.

Sincerely yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Commodore, USNR
Chief Commissioner

The Hon. Alexander Kirk
American Ambassador
119 Via Vittorio Veneto
Rome

3608

cc: Chief of Staff
'A' Files

~~XXXXXXXXXXXX~~

Chief Commissioner

U.S. Financial Arrangements for Italy

CU 951

9 December

4

DDCG, Economic Section
Joint Director, Finance Subcommittee

Before taking up the attached memorandum with the Italian Government, will you please let me have any appropriate comments as quickly as possible.

ELMER W. STONE
Commodore
Chief Commissioner

cc: C of S, *A FILE*
1 Incl: Ltr of 8 Dec fr American Ambassador
with 2 incls.

451/cc

3605

(23) a

URGENT

PERSONAL

December 8, 1944.

Dear Commodore Stone:

With reference to my letters of November 5 and November 8, 1944, transmitting the text of a communication from the Department of State at Washington on the United States' financial arrangements for Italy, I am now enclosing a statement just received from the Department presenting an explanation of the procedure to be followed at the present time in the use of the dollar equivalent of the lire expended by American troops in Italy and of their pay and allowances, together with the text, referred to in that statement, of a suggested letter from the Italian Finance Minister to the Secretary of the Treasury.

In transmitting the statement in question, the Department instructs me to consult the Italian Government through the Allied Commission and obtain its agreement to the proposed procedures. I trust that you will cause the necessary action to be taken.

Sincerely yours,

3604

Commodore Ellery Stone,
Chief Commissioner,
Allied Commission,
Rome, Italy.

(18) (19)
Dear Commodore Stone:

With reference to my letters of November 5 and November 8, 1944, transmitting the text of a communication from the Department of State at Washington on the United States' financial arrangements for Italy, I am now enclosing a statement just received from the Department presenting an explanation of the procedure to be followed at the present time in the use of the dollar equivalent of the lire expended by American troops in Italy and of their pay and allowances, together with the text, referred to in that statement, of a suggested letter from the Italian Finance Minister to the Secretary of the Treasury.

In transmitting the statement in question, the Department instructs me to consult the Italian Government through the Allied Commission and obtain its agreement to the proposed procedures. I trust that you will cause the necessary action to be taken.

Sincerely yours,

A. K. L.

3604

Commodore Ellery Stone,
Chief Commissioner,
Allied Commission,
Rome, Italy.

951/CC

23, incl. A

23, incl. B

See 27

23

AN EXPLANATION OF THE PROCEDURES TO BE FOLLOWED
AT THE PRESENT TIME IN THE USE OF THE DOLLAR
EQUIVALENT OF THE LIRE EXPENDED BY AMERICAN
TROOPS IN ITALY OUT OF THEIR PAY AND ALLOWANCES.

The procedures outlined below are intended to provide a temporary operating mechanism until such time as conditions permit other arrangements which may then be worked out in consultation with Italian authorities. The exact amount of lire expenditures to date has not as yet been determined but the Italian government may be informed that the amount is now estimated to be somewhat in excess of one hundred million dollars.

The scope of the military program as now defined may be subject to change. From this it follows that the type and quantity of essential supplies which the Italian government may desire to purchase with these funds may vary accordingly even before the military program ceases. Furthermore, upon cessation or reduction of the military program the Italian government may have to plan on the use of these funds for purchases of the types of supplies now furnished by the military. It is realized that in the absence of a definite specification of the content and duration of the combined US-UK military program effective planning of the use

of the

23 INCL 'A

- 2 -

the troop pay dollars is most difficult.

The statement of procedures follows:

1. Procedure for submission of requests by the Italian government.

(a) Upon the approval of this procedure the Italian government may submit requests for essential supplies other than those to be furnished by the military. These requests shall be formulated with the approval and assistance of the AC as long as such approval or assistance is required.

(b) Such requests should be submitted through the appropriate channels to the combined Liberated Areas Committee which will screen them. U.S., U.K. and Canada will then allocate the procurement responsibility for approved items among themselves by a procedure to be agreed upon shortly.

(c) In cases where the United States procurement responsibility has been agreed upon, FEA will then proceed with the procurement and delivery of supplies and such requests.

2. Financial procedures:

3602

(a) The dollars equivalent of the net troop payment in Italian lire will be paid into an account in dollars to be established in the United States Treasury for the account of the Italian government.

(23) A

- 3 -

government.

(b) It is proposed that an initial credit of \$50,000,000 will be made to the account and that additional credits will be made from time to time as the United States Treasury receives from the United States War and Navy Departments certified statements as to the amounts of net troop pay disbursed in Italian lire. The United States Treasury should receive from the Italian government a blanket authorization to credit this account automatically as outlined above and to debit the account automatically as outlined in (c) below. The text of a suggested letter from the Italian Finance Minister to the Secretary of the Treasury, which indicates the requirements of such an authorization, is being sent in the immediately following telegram.

(c) As soon as FEA certifies to the United States Treasury that either a. FEA is procuring or has authorized the procurement of essential supplies requested by the Italian government as outlined in 1. (c) or b. FEA has obtained the agreement ³⁶⁰ the Italian government to pay out of the account for supplies procured or to be procured from U.S. sources, the Treasury will make available to FEA, or as directed by it, funds to cover such procure-

ment

23174 A'

- 4 -

ment and incidental expenses or such agreement pay and will automatically debit the account therefor. Appropriate adjustments will be made to the account on basis of detailed vouchers which FEA will submit to the Treasury Department and to the Italian government certifying the amounts and prices of the items which it has procured. Other adjustments will be made to the account as may be mutually agreed upon between FEA and the Italian government.

(d) These funds are not to be used to pay for any goods delivered to Italy prior to the date of the opening of the account.

3600

CAL:td

(23) FILE 'A'

A Proposed Letter to the Secretary of the Treasury from
the Italian Ministry of Finance

"It is the desire of the Italian Government that the necessary procedures be put into operation to implement the policy announced by the President of the United States on October 10, 1944 whereby the dollar equivalent of the net troop pay lira disbursements of the armed forces of the United States in Italy will be made available to the Italian government for the procurement of necessary civilian supplies in the United States. It is understood that the United States government is making such dollar credits available without prejudice to any claims it may have against the Italian government for troop pay or otherwise in the final peace settlement.

Accordingly the Italian government requests that a special deposit account be established in the Treasury of the United States in the name of the United States Secretary of the Treasury for the account of the Italian Government and this account be credited from time to time with the dollar amounts to be made available for the benefit of the Italian government from the net troop pay disbursements of the armed forces of the United States in Italy.

The United States Treasury is authorized pending further advice from the Italian government to charge this account currently with the dollar amounts certified by the Foreign Economic Administration of the United States government to be required for the procurement of civilian supplies approved by the Italian government. It is understood that the amounts certified by the Foreign Economic Administration may be adjusted either on the basis of ordinary incidents of procurement or as may be otherwise mutually agreed to by the FEA and the Italian government and that appropriate charges or credits will be made in the account without further authorization to reflect any such adjustments.

The United States Treasury is further authorized to charge or credit the account as necessary to reflect any adjustments in the certifications of the United States War and Navy Departments as to the net amount of troop pay when such adjustments are indicated as a consequence of audits or other revisions in the accounts of disbursements for troop pay."

3599

(23) - incl 'B'

Col Graffley with

To write & return

cc.

See any branches

app.
24/12

Washington, D. C.
November 24, 1944

Commodore Ellery W. Stone
USNR
HQAC
A.P.O. # 394
c/o Postmaster
New York City, New York

Dear Commodore:

Enclosed are two copies of memoranda of the two most recent meetings. The additional copy is for transmission to Frank Southard, if that meets with your approval.

No news as yet from the Senate Naval Affairs Committee. It has taken no action one way or the other.

I was rather surprised, today, to see for the first time a despatch from AG requesting an expert in Italian finance from the British Treasury and one from the United States Treasury to come to AFHQ for conference with AFHQ and with AG. In view of the presence of a Mission here, I am not quite sure what it means. As you can see, the discussions are proceeding rather slowly but I think we are going to get somewhere.

Give my best to everyone.

Sincerely yours,

John

3598

9511/CC

226

November 24, 1944

MEMORANDUM TO: (1) Commodore Ellery W. Stone,
USNR, Chief Commissioner

(2) Joint Directors Finance Sub-Commission

Subject: Conference of Friday, November 24, 1944

Present: Messrs. Loxford, DuBois, Glasser, Pollack
and Fisher of the Treasury Department, Mr.
Reinstein of the State Department, Messrs.
Quintieri, Mattoili, Cuccia, Ortona and
Morelli of the Mission, and Captain Kamarek
and Lieutenant Commander Lawler of the
Finance Sub-Commission.

Mr. Mattoili presented to all present copies of his memorandum stating that it was in imperfect English but he thought it expressed the basic ideas of the Mission, and that it was presented merely as an informal document as a basis of discussion and not as a polished article of state. The memorandum was then read by all present. Mr. Loxford suggested that since the memorandum involved many complex problems, the Treasury would like time to study it and it would be prepared to discuss it at the next meeting on Tuesday, November 28.

J.J.Z.

951/cc

3597

22a

COPY.

1. The proposals summarized in these notes take into consideration the following fundamental necessities:

- a) to give to the financial relations between the United States and Italy - and respectively between the Allies and Italy - a formulation on the basis of which the Italian economic life may work out its first adjustment;
- b) this formulation is entirely independent of the relations arising from the Armistice signed by Italy;
- c) to proceed in such a manner that, through this formulation, Italy might derive the greatest possible advantage from the funds and goods that the United States are willing to place at her disposal: this not only for what concerns a careful selection of the goods (so that for a given value Italian economy may obtain the greatest utility), but also as to the function that the financial relations between the United States and Italy may perform in a first adjustment of Italian economic life.

2. Against a part of the "amlire" (American troops' pay on Italian territory), President Roosevelt has already declared his decision to make available to Italy the countervalue in dollars, to be used for the purchasing of goods. This means that a part of the currency issued by the Allies in Italian territory does not represent an additional purchasing power which weighs on the impoverished Italian market, but rather a purchasing power that Italy acquires on the international market, against the surrender of its own goods and services. This is the first measure which links again the Italian market to the economy of the United Nations, on the basis of a relationship of exchange and not of unilateral relief. A

22a

3595

- 2 -

measure of this nature, no matter how important may be its psychological value in a country in the conditions of Italy, may of course be taken as a basis for a first readjustment of Italian monetary economy, only if its bearing is of a size in proportion with the entire phenomenon of circulation in the liberated Italian territory. So far, in this connection, it has been mentioned a figure of 100 million dollars; which, at the military rate of exchange, corresponds to about 10 billion lire. It is a minor figure in the framework of the Italian monetary situation; but we can say that it is a reasonable figure which might constitute a starting point for taking the problem into consideration.

3. The first step towards a solution of the problem mentioned under 1.a), is given by the settlement of the relations between the Central Bank and the circulation for account of the Allies: i.e., the Central Bank may be credited against lire issued for Allied account with the dollar proceeds from all items for which the Allied Governments declare themselves willing to make available to Italy the corresponding foreign exchange; namely, in accordance with the declaration of President Roosevelt:

- a) troops' pay
- b) exports price
- c) remittances to Italy
- d) value of the freights earned by the Italian Merchant

Marine.

As to point b) mention has been made of a value of about only 2 million dollars, mostly produced by a recent shipment of goods to the United States. As to point c), the amount has been

220

3595

- 3 -

given in about 10-11 million dollars. As to point d), no information is available.

It seems, however, reasonable to keep in mind that as far as the exports are concerned, the problem must be considered also in the light of the greater possibilities of absorption by the English market of certain typical products of Southern Italy, and at the same time of the greater possibilities of export from Northern Italy. Therefore, the arrangement as above stated must be as well, and primarily, weighed in connection with what it can contribute to a unified Italian economy and, respectively, as an instrument to foster and achieve a unity of the economy of the different Italian regions.

4. The circulation for the account of the Central Bank, against credits in foreign exchange - which credits should be irrevocable in respect of the Central Bank, even if they are against debtor items concerning Italian Treasury, as per the reservation made under point 1, b) - may work without difficulties of a financial nature.

How there are to be considered the anlire against which no crediting in foreign exchange would be possible, following the declaration which the Italian Mission received on this subject. They are anlire issued or to be issued for the payment of goods, properties and services required by the Allied troops operating on Italian territory. For this category of expenses the problem is much more complicated. On this point we have the following data:

a) After ^{having} taken into account the amount of the troops' pay (about 10 billion lire) and the figure given for the issue of anlire under the heading "civil affairs" (6-7 billion lire),

22a

3534

- 4 -

the amount of amlire issued for these expenses should be in our opinion of a size between double and triple the one issued for the troops' pay;

b) the arrangement adopted for these expenses in the allied countries where the American and the British troops are operating is one of reciprocal aid or "Lend-Lease"; which, actually is based on the principle of the contributive capacity of the different economies;

c) the negotiations for the reciprocal concessions are carried out in the framework of this principle.

Vis-a-vis of Italy, we have been told in the last meeting that the Allies have applied a technique of the same kind, but with the substantial difference that purchases and supplies have been unrelated to the respective contributive capacity, i.e., the purchases have been effected up to the limit of the possibilities of the Italian market and the supplies within the minimum of the most urgent relief needs of the civil population.

The problem is therefore to find a formula, whatever it may be, which allows to apply also to Italy a working arrangement based on the contributive capacity of Italian economy, vis-a-vis of the United Nations, bearing in mind, of course, that the Italian contributive capacity cannot be extended up to the limit to which the pauperization of its tried economy can be carried on, but should be related to the necessity of putting this economy in a position to contribute productively to the common effort of the United Nations.

There is no doubt that:

226

3593

- 5 -

a) in the frame of the common effort the contribution of Italian economy cannot be fixed today in a given figure, but the limits of this contribution are a function of the possibilities of the country to find again its own elementary organic productive unity;

b) the problem of the burden that Italian economy can ultimately sustain for the common effort is different from the problem of giving to the Italian economy the possibility of contributing to the common effort without exhausting itself; otherwise the effort would be limited by the definitive pauperization of the Italian economy, and the problem of the burden which could be borne by the country, would be thus automatically solved within the boundaries of this pauperization.

On the basis of the above ascertainties, a provisional working solution could be offered, for instance, by the following machinery:

A) all issuance of currency should be in the hands of the Central Bank;

B) for the items of allied expenses, for which the crediting in foreign exchange cannot take place, the Central Bank opens an account in the name of the AFA;

C) the limit of the account is automatically given by the limits of the Italian contributive capacity;

D) in that account should be credited all the proceeds of the Allied supplies to Italy, within the frame of the principle of reciprocal aid.

That is to say:

1) Italy would know that the currency issued against this

27a

3592

- 6 -

AFA account would be for a large share absorbed by the Allies' contribution to the Italian economy.

ii) The issuing for the AFA account is not a dead burden on the productive economy of the country, but will have a movement related to the reciprocal increase of the contribution of both sides;

iii) Italy would know that her contributions are appreciated in the frame of the common war effort;

iiii) The final solution of the question will not be prejudiced by the adoption of the above proposal.

It will be necessary, of course, to specify which supplies should be paid in dollars and which with the lire of the AFA account, under an Allied-Italian joint control.

5. The practical adoption of a provisional arrangement - whatever it may be - of the monetary problem leads necessarily to examine the relation arising between the Italian economy and the outside world from the military rate of exchange; and this both vis-a-vis of the trading and of the reciprocal contributions, past and future ones with the United States and Great Britain, and vis-a-vis of the other countries whose exchanges do not appear, through the parity of the military rate, in proportion with the purchasing power of the lira.

3591

6. The gold of the Banca d'Italia transferred to the North, excluding the amount sent to Switzerland, amounts to kilograms 95,864, i.e., about 3 million ounces corresponding to a value of about 105 million dollars.

226 We do not know what fate this gold has undergone in the meantime: if it is still at Fortezza or whether it has been

- 7 -

transferred to Germany. However, it is to be ascertained what formula may be adopted to make clear that the rights of the Italian Central Bank for the recovery of its gold taken away by Germany will be made safe and that this right is deemed to be fundamental for the rehabilitation of its monetary economy, always without any prejudice for the Allied decisions at the time of the peace agreement. That is to say, it is the question of making publicly known the conception that the Allies are interested in a rehabilitation of the Italian economy, aside from the contribution that this economy would be able to give at the time of the settlement of the relations arising from the Armistice.

7. A provisional working arrangement - even if different from the one proposed in the present notes - ought to put the country in a position of adapting anew the administrative machinery to the concrete situation; or better yet, in a condition that the functioning of the administrative machinery should contribute to give a new equilibrium to Italian economy through the efficiency of the fiscal system and the possibility to call upon private capital. This means that the two terms of the problem - functioning of the administrative machinery and new equilibrium of the Italian economy - are more than ever interdependent.

When the Italian Government may be able to give again to the economic life of the country an autonomy and a responsibility, which will permit to call upon the financial effort of all citizens, taxpayers and savers, then, and only then, a problem may be examined, the solution of which appears today undoubtedly premature, but the terms of which will be fixed through the initial effort mentioned in these notes; that is to say, what may be the program of Italian

3590

220

- 8 -

monetary stabilization, to what extent this program shall count on Allied assistance and what will be the positive element on which the country may rely upon as to its capacity of national income and its patrimonial assets (for instance, what would be the fate of the 140 tons of gold deposited in London against the Italian war debts towards Great Britain). This implies also that the present one is a program preliminary to the task of the "Reconstruction"; and it is rather the essential condition which will permit, when the time will come, to face that task, avoiding meanwhile a disintegration of Italian economy and giving to Italy the effective possibility of contributing to the common war effort.

In judging this situation under all its aspects, one has to take into account the tremendous plight through which Italian economy has passed and the necessity that this economy begin again to reassemble itself in an organic unity, after having suffered the deep fractures produced by the war. The Italian effort will undoubtedly represent the fundamental factor for this suture and this readjustment; on the other side, the measure of the actual success that this effort may attain, will be given by the sympathy with which the Allies will consider and by the assistance that they will decide to give to this end, as the fundamental element of a wider European settlement.

3. The present memorandum should serve as an orientation of the aim of the Italian Mission, such as they may be expressed after the first consultations with the American authorities; without meaning to be the only possible formulation of a program for a provisional readjustment of the Italian economy. This memorandum has been prepared as an informal communication in a friendly spirit

3589

27a

- 2 -

to the American authorities for the purpose, above all, of bringing more speedily the conversations on a concrete basis. For what regards the definitive shape to be given to the plans to be discussed, it will depend on the further ascertainment of the data and of any other element still in elaboration.

3588

22a

HEADQUARTERS
ALLIED COMMISSION
FINANCE SUB-COMMISSION
APO 394.

25 November 1944.

SUBJECT: Credits to the Italian Government.

TO : Chief Commissioner,
Allied Commission.

Before the meeting held yesterday between members of the Economic Section and the Inter-Ministerial Committee of Reconstruction, Minister Soleri handed to Mr. Antolini a document, of which a rough translation is attached, asking (a) that the inclusion of imported goods in Category A should be given as liberal interpretation as possible in order to permit the maximum amount to be available under Category B; and (b) that either goods or foreign exchange should be made available as a counterpart against AM Lire issued by the Allied Forces for the payment of goods and services; and also against the amounts disbursed by the Italian Government on behalf of the Allied Forces.

As regards the first request such action is in accord with the recommendations of the Allied Commission.

The second proposal is unlikely to receive any support in either London or Washington. The "background" memorandum on the statement handed to the Italian Government regarding U.S. credit to Italy, states "That in the early future other sources of funds in dollars will be available to the Government of Italy, appears unlikely."

The Minister of Treasury said that his proposal had been discussed with certain of his colleagues, but it is clear that in its present form the proposal is not officially presented by the Italian Government. I am sending copies to G5., AFHQ, and also to Brigadier Spoofford who may wish to mention the matter during his visit to Washington.

Copies: Brigadier General Spoofford.
G5., AFHQ., Financial Adviser.
C.O.S.
D.C.O.S., Economic Section.

Colonel,
Joint Director,
FINANCE SUB-COMMISSION.

22

COPY.

THE MINISTER OF TREASURY

having regard to the difficult situation of the Treasury and currency, which requires the most careful vigilance in order to prevent inflation and its disastrous consequences; and considering the increasing destruction which the extension of war is causing to the economy of the country, *trusts*

- a) That, as far as possible, supplies required by Italy will be included in Category A, in order to avoid that money shall be drawn off the Post-Liberation Account, which accrues from the AM-lire issued on Italian Government account for the payment of the American troops, from remittances of Italian citizens residing in the United Nations and from the proceeds of export of Italian goods;
- b) that a less strict interpretation of the Armistice terms may admit a counter-item in goods or foreign exchange also for the AM-lire issued for the payment of the Allied Armies' military expenditures (works, supplies, requisitions), and for the payments which the ³⁵⁸⁸Italian Government has made and is making for works, services, supplies required by the Allied Armies from Italian industry and the State ship-yards.

(Sgd) MARCELLO SOLERI.

22

November 24, 1944

MEMORANDUM TO: (1) Commodore Ellery W. Stone,
USNR, Chief Commissioner
(2) Joint Directors Finance Sub-Commission

Subject: Conference of Wednesday, November 22, 1944

Present: Messrs Luxford, DuBois, Glasser, Pollack and
Fisher of the Treasury Department, Mr. Reinstein
of the State Department, Messrs. Quintieri, Mattoili,
Guccia, Ortona and Norelli of the Mission, and
Captain Kamarch and Lieutenant Commander Lawler of
the Finance Sub-Commission.

Mr. Glasser opened the meeting by stating that he would like to continue the discussion of the first few points of the agenda presented by the Mission. He stated that so far the United States has shipped approximately 175 million dollars worth of supplies to Italy. The British have also shipped a very considerable quantity, although the total amount of their shipment is not known to us. He stated that the British method is extremely flexible and that they can ship almost any type of supplies. The American method, on the other hand, is extremely inflexible since the War Department operates on a directive which is rather limited although there have been varying interpretations of that directive. He pointed out that the advantage of the dollar credits measured by troop pay is that their use is not limited, and they can be used in ~~con~~sequence for the purchase of supplies which the War Department would not be permitted to purchase. He pointed out that the dollar credit for working purposes should be considered as 100 million dollars. He stated further that the remittance balances amount to about 10 million dollars. The proceeds of exports amount to roughly 2 million dollars. All of these exports are recent exports.

Mr. Glasser then asked Mr. Mattoili whether he had any proposal in general terms to present to the Treasury. Mr. Mattoili said that in general he feels that two channels should be established; one between the United States Treasury and the Italian Treasury containing the obligations of the Italian Government to the United States Government; the other a channel between the United States Treasury and ~~the~~ ^{Bank} of Italy in which dollar assets could be placed and used at least psychologically as backing for the currency. He once more elaborated his balance sheet thought and explained that this fit in exactly

21c

4561cc

- 2 -

with the technique in which the Bank of Italy is viewed as an independent institution apart from the government so that credits can run to it which will back the currency. Mr. Glasser expressed general sympathy with the aim, although he said the use of credits in this way as backing was to him a relatively new thought. Mr. Mattioli replied that the combination of some form of rough balance sheet and backing of the currency would clarify the situation for all parties and if the issuance of all currency were placed in the hands of the Bank of Italy, the Bank would by its issuance of currency to the Allied forces be in a stronger position with regard to the currency. Mr. Glasser then said that this had been offered to the Italian Government in partial form by Administrative Memorandum No. 31 but the Government had declined to accept this suggestion. Mr. Glasser pointed out that the implementation of Administrative Memorandum No. 31 would be a step in the direction apparently desired by the Mission. He also pointed out that apparently Bonomi wanted dollar credits against all such payments and he pointed out that if Italy received such dollar credits she would be receiving better treatment than our Allies.

Mr. Glasser then stated that although the President would make available dollar credits measured by net troop pay, he did not foreclose subsequent settlement and in effect, he did not give troop pay dollars but simply used troop pay as a measure of extension of dollar credits. He further pointed out that the Italians should not look upon any other dollars as being available. He gave a complete explanation of the operation of the suspense account, stating that it arose out of our method of accounting, but that dollars in the suspense account are not available to Italy since our Allies do not get that treatment.

Mr. Glasser then pointed out that with reference to Italy's contribution to the war, that had been the same as all others, that is, what could be given locally. He recognized the difference, however, that in the case of our Allies, the goods or services are not taken but are requested from the local government which has an opportunity to say the supplies or services cannot be given because they are needed for local civilian use.

There followed a long discussion of Bonomi's declining to accept Administrative Memorandum No. 31 in which the Mission placed it on the basis that the machinery was not available for making the payments. Mr. Luxford suggested possibly it was a shortage of currency and Mr. Mattioli seized upon this suggestion. Mr. Lawler stated the history of the negotiations with the Italian Government on that matter, making it clear that it was a political decision based primarily upon the effect that inclusion of this item in the Italian

21c

- 3 -

budget would have had at that particular time following the Joint Declaration. Mr. Reinstein then pointed out that with other countries, no effort is made to strike a balance sheet between what they give and what they get. Each one gives what he can to the common effort. Mr. Glasser added that you might argue that the absence of such a balance sheet is the result of Lend-Lease Agreement between the United States Government and other governments, but he stated in effect the United States gives Italy the same things as under lend-lease; that is, arms and supplies to the Italian troops and civilian supplies. He stated that the civilian supply situation is more favorable to Italy than to the Allies, giving as an example that France pays now for her civilian supplies, whereas Italy is only obligated to pay later. He stated that the Italians receive aid just as do the other countries and give what they can just as do the other countries; then referring back to Administrative Memorandum No. 31, when the opportunity is offered to take responsibility it shouldn't be refused. Mr. Mattioli replied that all talk of a balance sheet is misleading, since it is not for the purpose of striking a balance but only to obtain a basis for a plan.

Mr. Glasser then asked what possibility there is of eventually finding foreign exchange backing for Italian currency other than the dollar. Mr. Mattioli replied that there are several but mentioned only one. He pointed out that Germany has taken Italian gold and asked whether or not he could be given any assurance that if the gold were recovered under circumstances making it possible to identify it as Italian gold, the Allies would return it to the Bank of Italy. Mr. Reinstein replied that it is highly improbable that any gold will be recovered in that way since the Germans have taken gold from many countries, so that it is premature to attempt to discuss these problems at this point. Mr. Glasser then asked ~~the~~ permission to prepare a memorandum of specific proposals of the possibility of Italian currency stabilization for the next meeting which was set for Friday, November 24.

jy 2.

3583

21c

November 21, 1944

To: (1) Commodore Ellery W. Stone
USNR, Chief Commissioner
(2) Joint Directors Finance Sub-Commission

Subject: Conference of November 21, 1944

Present: Messrs. Laxford, DuBois, Glasser and Fisher of the Treasury Department, Mr. Reinstein of the State Department, Messrs. Mattioli, Ortona, Cuccia and Morelli of the Mission, Captain Kamarch and Lieutenant Commander Lawler, Finance Sub-Commission

The meeting resumed the discussion of the agenda presented by Mr. Mattioli and examined points 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 13. Mr. Glasser stated that it would be impossible to provide all of the information requested. Some of it, for example, point 7, is not completely known to the United States Government. Point 8 is not known in Washington and such information as does exist is all in Italy. However, Mr. Glasser agreed that in so far as possible the information will be supplied, stating that it would be ready in about one week. Mr. Mattioli then asked that where information definitely cannot be supplied, the Mission should be so informed so that element can be eliminated from their calculations. He further requested that in all cases the basis of calculation be made available. Mr. Glasser agreed on this point.

There was then a detailed discussion of points 1, 2, 3 and 4. Mr. Glasser explained the operation of the suspense account, pointing out that lire issued for purposes not included within the War Department appropriation, such as civil government and expenditures of other armies, there is no item placed in the suspense account. The Mission then wanted to know what backing there was for this other AM lire. It was pointed out that all AM lire is backed by the same thing as Metropolitan lire; that is, all the assets of Italy and that pending final settlement, there is no foreign exchange backing and there is no reason to suppose that there will necessarily be foreign exchange backing as a result of the final settlement. Mr. Cuccia said that was true legally but it was now possible to tell the Italian people that there is a fund of one million dollars representing troop payments back of the lire. Mr. Glasser pointed out that this is not accurate. The extension of these dollar credits to Italy should not be regarded in any way as a settlement of any obligation, that the President's message of October 10 states

9511cc

214

- 2 -

that dollar credit is being extended but explicitly reserves all rights of final settlement, that is, the troop pay just happening, to be the measure adopted in the extension of credit. Mr. Glasser pointed out that there are certain dollar credits available which are in settlement and of right belong to Italy, but these are in a different category and they consist of proceeds of remittances, proceeds of exports and certain small amounts now merged into United States Army accounts resulting from early operations in cashing Treasury certificates, etc, prior to the initiation of the remittance system.

The Mission then asked how the British, French and other governments were dealing with the matter of setting up countervalues for lire issued to them. It was again pointed out that the suspense account is not a countervalue which belongs to Italy and is in no sense a settlement. It is simply an accounting operation necessitated by the method of accounting employed by the United States Government. It was stated further that the other United Nations' Governments which have drawn lire from AFA are following their own normal procedures, whatever they may be. Mr. Cuccia then wanted to know if there was any agreement between the Allied governments concerning this matter. It was pointed out that there was no agreement in the formal sense, since this was like many matters involving several of the United Nations where the decisions and instructions are formulated by the combined Chiefs of Staff and as part of the military operations, but that domestic accounting within any one of the United Nations is a matter which is not made the subject of any agreement. The meeting then adjourned to reconvene on Wednesday, November 22.

J. J. Fawcett

3581

216

November 21, 1944

TO: (1) Commodore Ellery W. Stone
USNR, Chief Commissioner

(2) Joint Directors Finance Sub-Commission

Subject: Conference of Thursday, November 16, 1944

Present: Secretary Morgenthau, Harry White, Josiah DuBois,
and Ansel F. Luxford of the United States Treasury
Department, Messrs. Mattioli, Ortona, Cuccia and
Morelli of the Mission, Lieutenant Commander
Lawler, Joint Director Finance Sub-Commission.

Mr. Morgenthau asked Mr. Mattioli to state the purpose of the Mission. Mr. Mattioli stated the purpose in the same terms as he had used at the meeting on November 15, 1944, explaining that the basic problem of Italy is financial and that what is needed is the creation of countervalue for all AM lire issued in Italy. He stated, however, the first object of the Mission would be to create some form of balance sheet which would show what Italy has furnished, as well as what Italy has received—not with the intention of changing or in any way foreclosing the terms of final settlement, but simply to obtain a general idea of the position of Italy in order to plan for some method of effecting a cure of Italy—the "sick man" of the Mediterranean. Mr. Mattioli explained that for this purpose the Mission would like to obtain considerable information and on the basis of this information, some proposal permitting sound collaboration between Italy and the United States could be developed. Mr. Morgenthau replied that the United States Government is sympathetic towards Italy and her present difficult condition, but due to the many demands on the United States and the shipping shortage, it is in no position to assure Italy just what help can be given at this time. Mr. Mattioli replied that Italians are aware of the great demands on the United States and realize that Italy is far down on the list of persons, but would like to work out some method of collaboration between the two governments.

Mr. Morgenthau suggested that a further meeting be held on Friday, November 17, in which Mr. Glasser, Mr. Luxford and Mr. DuBois would consult with the Mission and as trusted associates of Mr. Morgenthau, would try to obtain the information and to make the preliminary exploration upon which any plan would necessarily be based.

J. J. Lawler

21a

951/cc

3380

EMS/def

4/CC 951

9 Nov 44

Subject: Financing of Civilian Supplies for Italy

To : G-5 Section, Allied Force Headquarters, APO 512

There is forwarded herewith copies of two letters dated November 5 from the U.S. Representative to the Advisory Council for Italy, the one forwarding a statement on American policy regarding financing civilian supplies for Italy, a copy of which has been forwarded to the Prime Minister, and the other quoting background information on the above mentioned statement. The latter is not being furnished to the Italian Government.

WILLIAM W. STONE
Commodore, USNR
Acting Chief Commissioner

cc: U.S. Political Adviser, ANM,
British Resident Minister, ANM,
British Ambassador
U.S. Ambassador
Finance Sub-Commission, AC

CofS
H Files

2 incls.

3579

951/CC

CONFIDENTIAL

WHS/red

8 November 1944

My dear Mr. Prime Minister:

With reference to my letter of 13 October, 1944, with which was enclosed the text of the United States Government's arrangements for the future financing of civilian supplies to Italy, I have now received, for transmission to the Italian Government, the text of a new statement which is appended hereto.

While it is not thought that this statement adds substantially to your present information you will observe from the fourth paragraph that the Italian Government will shortly receive from the United States Government the dollar figure which the Italian Government and the Allied Commission are so anxious to obtain in order to prepare effectively the programs of essential civilian imports.

Yours very truly,

HILARY E. STONE
Commodore, USNR
Acting Chief Commissioner

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

3578

c.c. Sir Noel Charles
Hon. Alexander Kirk
G-5, AFHQ
Chief of Staff, AG,
Economic Section
Finance Sub-Commission

VA FILES ✓

CONFIDENTIAL

(20)

STATEMENT ON AMERICAN POLICY REGARDING
FINANCING OF CIVILIAN SUPPLIES FOR ITALY

1. "The United States Government has decided to make available to the Italian Government the dollar equivalent of the net amount of Italian lire heretofore expended by American troops in Italy out of their pay and allowances, as well as the dollar equivalent of future lire expenditures of this character.

2. "In addition to the dollars made available to the Italian Government pursuant to the arrangement described in paragraph 1, there have been made and will continue to be made available to the Italian Government the dollar funds resulting from remittances to Italy from or through the United States and the dollar proceeds of Italian exports to the United States.

3. "The action of the United States described in the previous paragraphs does not prejudice or change in any form whatsoever the terms fixed by the agreement of armistice with the Italian Government and of other agreements, technical or political, and the status pertaining to claims on the Italian Government and Italian citizens by the Government and citizens of the United States.

4. "The United States Government will shortly inform the Italian Government of the approximate dollar equivalent of such net lire expenditures heretofore expended by American troops out of their pay and allowances.

5. "The dollars made available to the Italian Government under paragraph 1 may be used only for the procurement of essential supplies in the United States. The United States Army together with the British Army is supplying essential civilian goods (such as food, clothing, medicines and fuel) as a necessary part of military operations in Italy. The duration of this responsibility is necessarily dependent upon future military developments. During the period when such supplies are being provided by the United States Army, the funds made available to the Italian Government under paragraph 1 may be used to procure such other essential civilian supplies as are not provided under the military program. These funds will also be available to the Italian Government for the purchase of essential supplies after the cessation of the United States Army program.

6. "The program of essential civilian goods not provided under the military program and which is to be procured by the Italian Government out of the funds made available to it under paragraph 1, above, will be drawn up by the Italian Government and will be subject to review and approval of the Allied Commission and other Allied agencies concerned with the allocation of goods in short supply and of transportation and port facilities.

3577

7. "The detailed technical procedures by which the dollar equivalent of troop pay made available under paragraph 1, above, will be made available to the Italian Government and expended by it will be worked out by the appropriate agencies of the United States Government in consultation with the Italian Government.

8. "The dollar funds from the proceeds of Italian exports to the United States and of remittances from or through the United States are available for expenditures by the Italian Government for the maintenance of its diplomatic and consular establishments in foreign countries, for expenditures to maintain Italian vessels in foreign ports, as well as for the purchase of supplies within the scope of programs approved by the appropriate Allied agencies. Expenditures from these accounts are subject to review by the Allied Commission and to license by the United States Treasury Department.

9. "The Government of the United States has adopted the present program after consultation with the British Government. The British Government has provided and, it is understood, will continue to provide its share of an agreed program of essential civilian supplies, but under different financial arrangements."

3576

(20) INCL

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

A
Q

Rome, November 8, 1944.

Personal and Confidential

Dear Commodore Stone:

With reference to my letter of November 5, 1944, with which was submitted as "Enclosure No. 1" the text of a communication from the Department of State containing a statement for transmission to the Italian Government, I am now informed, in response to a request for verification of certain parts of that text, that in numbered paragraph (1) the first sentence should begin with the words "The United States Government," and not, as erroneously received here, "The United States Fidelity and Guarantee Company."

The text of "Enclosure No. 1" to my letter under reference should be therefore corrected accordingly.

Sincerely yours,

R. Kish

Commodore Ellery Stone,
Acting Chief Commissioner,
Allied Commission,
Rome, Italy.

951/cc

3575

19

File

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Rome, November 5, 1944.

Personal and Confidential

Dear Commodore Stone:

Supplementing my letter of today with which was enclosed a communication from the State Department containing a statement for transmittal through AG to the Italian Government, I am now enclosing a paraphrase from an additional telegram received from the Department providing information with respect to the aforementioned statement which is intended for background purposes only.

Sincerely yours,

A. Rich.

Enclosure:

1. Paraphrase of telegram from Department giving background information on statement re United States' financing arrangements for Italy.

CC: G-5 AFHQ

LIS Polad

British RESMIN

British Ambassador

- US Ambassador Commodore Ellery Stone,
Acting Chief Commissioner,
Finance Sub/Comm Allied Commission,
Rome.

C of S

"A" files

3574

SEE APPENDICES
+ INCLOSURE

(18)

Enclosure No. 1

Paraphrase of telegram from Department giving background information on statement re United States' financing arrangements for Italy.

- (1) British authorities in Washington have concurred in the statement.
- (2) It was believed when the document of the Liberated Areas Committee was being prepared that on October first or soon thereafter the United States Army would insist on relinquishing the responsibility for civil supply as regards all liberated Italy to the south of the capital, and that there would revert to the Government of Italy the responsibility for financing all essential supplies with regard to all liberated areas placed under that Government's administration. At that time all efforts were pointed toward permitting that Government to meet such responsibility for financing. We desired to procure from UNRRA supplemental funds in addition to those to be furnished by the United Kingdom and the United States. From that source, a maximum amount of 50 million dollars only, it appeared eventually, for certain special program could be counted upon.

As a consequence of a decision that, in the matter of providing supplies coming under the essential-for-prevention-of-disease-and-unrest definition, the responsibility of the United States Army would continue as heretofore with respect to all liberated Italy, these problems were rendered less acute. At the present time we are not able to determine when the military program will terminate, since this depends upon considerations, such as the character of military operations in the Italian theater and their duration, which are impossible to predict.

This fact, we realize, renders very difficult the planning in a proper manner of the utilization of the funds which now are being made available. However, this answer is the only one which can at present be given in connection with the question submitted by Commodore Stone in his communication to you on the subject.

As long as the military program with respect to supplies continues, the proposal is to use the funds in dollars now being placed at the disposition of the Italian Government for the purchase of supplies which will not be certified by the Army as of military necessity and for

procuring ...

(18) INCL

- 3 -

procuring other supplies for rehabilitation that are needed badly. Upon the termination of certification by the Army of supplies, it will be necessary that the dollar funds placed at the disposition of the Italian Government be also utilized for procuring those supplies now being furnished as a part of the military program.

That in the early future other sources of funds in dollars will be available to the Government of Italy appears unlikely. For the purchases for Italy of civilian supplies, Lend-Lease credit appears to be excluded because of considerations which have been set forth in connection with the request for Lend-Lease aid made by Bonomi.

The operations of the Export-Import Bank are seriously limited, not only by restrictions analogous to those contained in the Johnson Act but also by the stipulations in its statutes regarding the amount and character of its credits. As to the world bank, it is only in the project stage.

The same difficulties in the matter of financial arrangements do not affect operations of the British Government. Out of the same account come all British supplies for Italy whether these are for, or are outside of, the military program. It is impossible to determine now whether provision will continue to be made by the British authorities of their portion of the military program following the date when the Army of the United States ceases to take part in that program. The British authorities have undertaken, as a counterpart of the United States arrangement comprised in the October 10th statement of the President, to furnish what would be assigned to them, respecting their part of an agreed upon civil requirements program, over and above requirements furnished by the military program. For this purpose details of procedures and policy have not been worked out. However, it has, in the meantime, been undertaken by the British to examine each requisition for supplies of non-military necessity on its merits. When both the British and we jointly approve the requisition, then allocation will be made of the responsibility for procurement, based on availability of shipping, of supplies, and other pertinent factors. Through their own procedures for financing, they will furnish the part which on this basis is allocated to them. From the funds in dollars placed at the disposition of Italians will be financed supplies allocated to the United States. 3572

- (5) Largely, the statement regarding policy constitutes an amplification of what was set forth in the October 10th statement of the President. Wording of the document of

the ...

(18), NCL

- 3 -

the Liberated Areas Committee is used wherever this is permissible.

- (4) The principal differences between the document of the Liberated Areas Committee and the next statement are: (a) Reference is not made, for reasons explained above, to adoption of similar procedure by the British. (b) Also, reference is not made to Italian shipping earnings, since it has so far not been possible to come to an agreement on this subject with the British. Moreover, this is an insignificant item from the dollar viewpoint, as only two Italian vessels, with total tonnage of 34,470 tons, are at present allocated to United States service. The balance of Italian shipping is in large part concentrated in British service in the Mediterranean, constituting part of the pool of the Allies in similar manner as in the case of shipping of Allied countries like Greece, Denmark, Holland and Norway. There is not any probability, incidentally, that Italy will obtain the utilization of its own shipping for its own exclusive purposes, as this would be in opposition to arrangements effected with other shipping countries among the Allies for maintaining an Allied pool until half a year after hostilities have ceased. (c) Reference is not made to contribution by the French along lines which we and the British have agreed upon, because of what are thought to be difficulties not possible of overcoming in effecting at the present stage an arrangement of this kind.

- (5) The new statement's reservations regarding claims on the Italians and regarding existing agreements and the reservations in the final paragraph of the document of the Liberated Areas Committee are sufficiently clear. It was particularly desired by the British Government that prior to the final settlement no claim should be waived by the Allies to the right of charging the Government of Italy with the expense of the payment of troops of the Allies occupied in military operations in Italy. They desire in the negotiations connected with the release by the President that a reservation in this sense be made explicit with regard to placing at the Italian Government's disposition the equivalent in dollars of the local currency pay of American troops in Italian territory. The same request was brought up by them regarding the new statement telegram to you and desired that in the very first paragraph this reservation be inserted. Both requests were declined by the Department on the grounds that by this the value of the United States Government's action would be unnecessarily detracted from and that in any case the general reservation adequately covered the point.

(6) ...

(18) INCL

- 4 -

- (6) At the insistence of the United States Treasury, a distinction is made between the uses of dollar proceeds of remittances and exports, on the one hand, and the equivalent of troop pay on the other hand. The Treasury holds that justification before Congress would be difficult for the employment of the equivalent of dollar pay for troops for any other purposes than the procurement of relief supplies and other badly needed articles. Therefore, separate accounts will be maintained for the dollar equivalent of troop pay and the dollar proceeds of remittances and export.
- (7) The amounts of Lira expended for purchases at Army Post Exchanges, remittances to the United States and returned to United States Army Finance Officers for purchase of United States Government war bonds, etc., will be deducted from the pay of the troops in calculating the dollar equivalent of net troop pay expenditures.
- (8) At this time it is difficult to make a statement of the exact amount of dollars to be turned over to the Italian Government for troop pay expenditures which to date have been made. An estimate of this figure would be roughly 100 million dollars, or slightly more. The Italians are not (not) to be informed of this figure. We will give you an estimate for transmittal to the Italians when we cable you the detailed procedures for turning over the funds to the Italian Government. However, should their estimates be substantially in excess of 100 million dollars, you may advise them that they are being too optimistic in their estimates. The Italian Government may also be advised that the dollar accounts will be placed in its name and that it will operate them. As soon as possible the Italian Government will be informed of the estimated amounts to be turned over. As an interim measure, pending determination of the exact amount, the Italian Government will have a substantial sum placed to its credit. Regarding detailed procedures you will receive shortly a cable for discussion with the Italian Government.
- (9) The Department, as pointed out above, has advocated the continuation for as long as possible of the American civilian supply program. The Department has been unable to obtain however, a definite commitment as to (1) the continuation of the program or (2) length of time for which it would be effective.
- (10) If the Italian Government presents questions on the subject ...

(18) mll

- 5 -

subject treated in paragraph 3 of the statement you will present to it, you may inform it that it is not the present intention of the United States to apply against prior claims on Italy or the Italian Government the dollars accruing from the sources outlined in paragraphs 1 and 2.

3569

(18) INCL

ALLIED ~~CONTROL~~ COMMISSION
INTER OFFICE MEMO

From: Office of the A/Chief Commissioner

SUBJECT: Statement re U.S. financing arrange-
ments for Italy
TO: Colonel Grafftey-Smith

FILE No.

7 November 1944

This is the follow-up of the finance letter forwarded to you yesterday. This is the only copy we have and in case it needs urgent consideration, I am sending it straight to you in A/CC's absence. Will you please let me have it back as soon as you have finished with it, as Commodore Stone has not seen it.

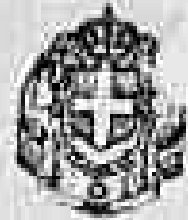
J. A. Quayle
J. A. QUAYLE
Major, R. A.
Staff Officer to A/CC

3568

cc: 'A' File (only)

APP. A

(18)



MINISTERO DELLE CORPORAZIONI
IL DIRETTORE GENERALE
DEL LAVORO E DELLA PREVIDENZA SOCIALE

7 November 1944

Commodore Stone:

Colonel Grafftey-Smith has no comments on this memorandum, which is helpful and explicit. He wishes to point out however that the amount has been reduced to 100 million dollars in paragraph 8. He hopes that this is wrong.

T/3 Edmiston

Above dictated to T/3 Edmiston by Colonel Grafftey-Smith.

3567

(18) APP. B'

A.
UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Rome, November 5, 1944.

Personal and Confidential

Dear Commodore Stone:

(12)
With reference to my letter of October 18, 1944, transmitting as one of its enclosures the official text of the President's release of October 10th on the United States' financial arrangements for Italy, I am now transmitting (enclosure No. 1) a communication just received from the State Department in which is supplied, for transmittal through AC to the Italian Government, the full text of a statement prepared at my request which covers the subject treated in that release.

Sincerely yours,

A. Kirk.

See 18-19

Enclosure:

1. Text of communication from the Department of State containing statement for transmittal to Italian Government re United States' financial arrangements for Italy.

951/cc
3566

Commodore Wilbur Stone,
Acting Chief Commissioner,
Allied Commission,
Rome, Italy.

cc: US. Col. Ldo. AFHQ
Br. Reamin
Sir Hall Charles
Mr. Kirk
Finance Sfc
CofS
A Files
(17)

File
NJP

A

Enclosure No. 1

There is communicated below for transmittal through AG to the Italian Government the text in full of a statement, prepared in response to your request, covering the subject treated in the President's release of October 17:

"Statement on American policy regarding financing of civilian supplies for Italy:

1. "The United States Fidelity and Guarantee Company has decided to make available to the Italian Government the dollar equivalent of the net amount of Italian lire heretofore expended by American troops in Italy out of their pay and allowances, as well as the dollar equivalent of future lire expenditures of this character.

2. "In addition to the dollars made available to the Italian Government pursuant to the arrangement described in paragraph 1, there have been made and will continue to be made available to the Italian Government the dollar funds resulting from remittances to Italy from or through the United States and the dollar proceeds of Italian exports to the United States.

3. "The action of the United States described in the previous paragraphs does not prejudice or change in any form whatsoever the terms fixed by the agreement of armistice with the Italian Government and of other agreements, technical or political, and the status pertaining to claims on the Italian Government and Italian citizens by the Government and citizens of the United States.

4. "The United States Government will shortly inform the Italian Government of the approximate dollar equivalent of such net lire expenditures heretofore expended by American troops out of their pay and allowances.

5. "The dollars made available to the Italian Government under paragraph 1 may be used only for the procurement of essential supplies in the United States. The United States Army together with the British Army is supplying essential civilian goods (such as food, clothing, medicines and fuel) as a necessary part of military operations in Italy. The duration of this responsibility is necessarily dependent upon future military developments. During the period when such supplies are being provided by the United States Army, the funds made available to the Italian Government under paragraph 1 may be used to procure such other essential civilian supplies

EE ...

(17) incl

- 2 -

A

us are not provided under the military program. These funds will also be available to the Italian Government for the purchase of essential supplies after the cessation of the United States Army program.

5. "The program of essential civilian goods not provided under the military program and which is to be procured by the Italian Government out of the funds made available to it under paragraph 1, above, will be drawn up by the Italian Government and will be subject to review and approval of the Allied Commission and other Allied agencies concerned with the allocation of goods in short supply and of transportation and port facilities.

7. "The detailed technical procedures by which the dollar equivalent of troop pay made available under paragraph 1, above, will be made available to the Italian Government and expended by it will be worked out by the appropriate agencies of the United States Government in consultation with the Italian Government.

8. "The dollar funds from the proceeds of Italian exports to the United States and of remittances from or through the United States are available for expenditures by the Italian Government for the maintenance of its diplomatic and consular establishments in foreign countries, for expenditures to maintain Italian vessels in foreign ports, as well as for the purchase of supplies within the scope of programs approved by the appropriate Allied agencies. Expenditures from these accounts are subject to review by the Allied Commission and to license by the United States Treasury Department.

9. "The Government of the United States has adopted the present program after consultation with the British Government. The British Government has provided and, it is understood, will continue to provide its share of an agreed program of essential civilian supplies, but under different financial arrangements."

of sent to - COS & Fin. Sub/Can .

3564

(17) incl

XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX

Office of the Acting Chief Commissioner

United States' financial arrangements
for Italy

6 November 4

Finance Sub-Commission
(Attn: Colonel Graffety-Smith)

Commodore Stone requests that you prepare an acknowledgment
to Mr. Kirk for his signature imposing therein any points you wish to
make on the attached communication.

3563

J. A. QUAYLE
Major, R. A.
Staff Officer to A/CC

1 Incl:
Ltr fr Mr Kirk, 5 Nov 44

(17)

cc:

Col S
A FILE ✓

Q.

95-1/cc

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

A/cc 843
6/1/44

Ref: 13214/F.

5 November 1944.

SUBJECT: Transfer to Italian Government of Dollars
resulting from Troop Expenditures in Italy.

TO: Acting Chief Commissioner,
HQ AC.

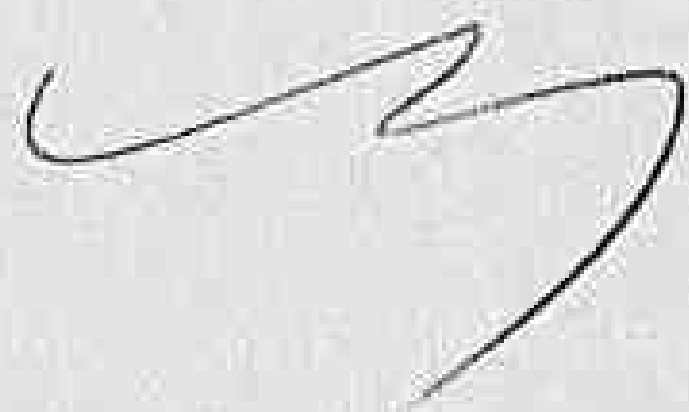
1. Herewith for your information is copy of Cable MAT 385
which has been received from Financial Adviser, AFHQ.

A.P. Granger, Jr.
Col.

Joint Director,
Finance Sub-Commission 3562

Encl:

(16)



A

SECRET

AFHQ MESSAGE CENTER
OUTGOING MESSAGE

PRIORITY

TO FOR ACTION : AGWAR FOR CCS FOR CCAC
FOR INFO : CENTRAL DISTRICT UK BASE SECTION
(LONDON) FOR BRITISH CHIEFS OF STAFF
AND HQ COMZONE MAIN (ETOUSA)
REF NO : FX 47633
SIGNED : WILSON CITE: FHGEG

This is MAT 385

1. This relates to transfer to Italian Government of dollars resulting from troop expenditure in ITALY, and transfer responsibility to ITALY for financing essential imports. AC transmitted U.S. proposals received through State Department to Italian Government on 13 October at request American Representative Advisory Council. Thereafter the AC requested through State Department technical information respecting the implementation of this program. In reply on 18 October 1944 the American Representative in light of State Department clarification requested the AC to instruct the Italian Government to confine its consideration to the terms of President ROOSEVELT'S press release of 10 October 1944.

The implementation of the program announced in the press release requires clarification as do the terms of the original proposal now temporarily in abeyance.

Guidance is requested, especially on the following matters:

2. We assume by "Dollar equivalent of Lire issued to U.S. Troops in ITALY" is meant only net amount of gross Lire outpayments to troops which is spent on civilian goods and services in ITALY and not remitted to U.S. or spent in PX or for War Bonds.
3. In connection policy and procedure relating Allied Lire expenditures other than for troop pay, see MAT 353 of 12 October.
4. Basis on which net earning of Italian shipping will be calculated not known here and information would be appreciated.
5. Procedure by which Italian Government may withdraw proceeds in foreign exchange accruing under proposed policy not clear to us. Under present arrangements AFA may initiate payments of dollars from accounts derived from remittances and exports in addition approving payments initiated by Italian Government. Experience suggests this power to initiate should be retained by some Allied Agency, presumably AFA, to avoid interminable delay in effecting dollar payments.

Originator: G-5
INFO : SGS

AUTH: C M SPOFFORD BRIG GEN
COORD WITH: POLITICAL ADVISORS

(16) INCL

951/cc

A

ALLIED CONTROL COMMISSION
INTER OFFICE MEMO

From: Chief of Staff.

SUBJECT: Civilian Supplies for Italy.

FILE No.

2nd November 1944.

TO: Acting Chief Commissioner.

I attach approved draft of the telegram to be sent by General Wilson to C.C.S., also a draft submitted by Brigadier-General Spofford which was not sent but of which Para.3 will be sent as a follow-up telegram.

I attach also the draft of a financial telegram which will issue as amended.

TWC
Brigadier.

3560

(15) Major A
to be filed with
other papers same subject
need for India

951/100

COPY

A

DRAFT TELEGRAM.

From: General Wilson.
To: Combined Chiefs of Staff.
SUBJECT: Civilian Supplies for Italy.

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

1. I am arranging for all current requisitions for basic civilian supplies to be reviewed on two assumptions: first, that they will be provided and financed as heretofore; secondly, that they would be financed upon a more liberal interpretation of the "disease and unrest" formula.
2. In addition and in conformity with the joint statement of September 26th and the President's statement of October 10th, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.
3. I am assuming that the necessary finance for (1) will be provided so long as Italy is a theatre of or base for military operations and for a period of six months thereafter.
4. For planning purposes for (2) I am assuming an expenditure commensurate with the sources of new finance outside military responsibility mentioned in the President's statement, to be spent over a period of twelve months.
5. I hope this will meet with your approval as I am convinced that this is the right course to pursue.

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

1. I am arranging for all current requisitions for basic civilian supplies to be reviewed on two assumptions: first, that they will be provided and financed as heretofore; secondly, that they would be framed upon a more liberal interpretation of the "disease and unrest" formula.

2. In addition and in conformity with the joint statement of September 26th and the President's statement of October 10th, I have instructed the Allied Commission to draw up a programme of industrial first-aid. This will be forwarded to you as soon as possible.

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

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

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

(15) INCL 'A'

DRAFT CAMEL

B

TO: ADMAR for CDS and to Central District UK Base Section (London) for British Chiefs of Staff repeated SHAF for information signed Wilson cits PHOIC
This is SHAF

Para 3 only b50 u

Subject is economic policy for Italy.

1. As I have previously indicated, MAR 796, MAR 790, public statements of the President and Prime Minister have made urgent provision of revised directives to me on economic policy for Italy requested in MAR 778 of 13 Sept. Meanwhile I find that I am required, by the pressure of events, to take certain action in order to meet my responsibilities. Specifically:

(a) In conformity with the joint statement of the President and Prime Minister of 26 Sept. and the President's statement of 10 Oct.

I am causing AC to prepare a program of industrial first aid for early submission to you. Upon recommendation of the Mitchell-Morris mission, I am directing that the extent of this program be measured as nearly as possible by the funds which it is estimated will be available under the financial program contained in the negotiations of the U.S. Government communicated to the Italian Government by the Chief Commissioner on 13 October.

(b) I am directing the review of all recent requisitions for items of civilian supply and intend to apply here a more liberal interpretation of the standard of "disposal and interest" than I have felt justified in applying in the past. I am doing this so that time may not be lost in procurement of items which may previously have been rejected, pending clarification of my responsibilities as requested in MAR 778.

2. The foregoing requires clarification of the proposals for financing Italian civilian supply and rehabilitation contained in the United States declaration which was furnished to me by the Chief Commissioner for information.

Certain technical questions which will affect the measure of finance available

...able I find that I am required, by the pressure of events, to take certain action in order to meet my responsibilities. Specifically:

- (a) In conformity with the joint statement of the President and Prime Minister of 26 Sept. and the President's statement of 10 Oct. I am sending AC to prepare a program of industrial first aid for early submission to you. Upon recommendation of the Mitchell-Morris mission, I am directing that the extent of this program be measured as nearly as possible by the funds which it is estimated will be available under the financial program contained in the negotiations of the U.S. Government communicated to the Italian Government by the Chief Commissioner on 13 October.
- (b) I am directing the review of all recent requisitions for items of civilian supply and intend to apply here a more liberal interpretation of the standard of "disposal and interest" than I have felt justified in applying in the past. I am doing this so that there may not be loss in procurement of items which may previously have been rejected, pending clarification of my responsibilities as needed in MAY 77S.

2. The foregoing requires clarification of the proposals for financing Italian civilian supply and rehabilitation contained in the United States declaration which was furnished to me by the Chief Commissioner for Information. Certain technical questions which will affect the measure of finance available are being raised in a separate message (MAY ____). This program and the statements accompanying it, however, present one major question: at what point will the provision of supplies through channels which have existed thus far be curtailed or stopped? Were it not for the indication that in the foregoing declaration that the U.S. Army participation in the financing and procurement of civilians supplies would cease at an early date, I should assume that the existing channels will continue to apply so long as Italy is a theater of or base for military

(15) INCL 'B'

operations. I require positive assurance on this point so that I can plan to apply the amount of financing to be made available from other than military sources for the program of industrial rehabilitation.

3. I am awaiting your final decision on the 300 gram ration which I understand is being urgently considered by you and your authorization of the supply program necessary to implement my recommendation. In connection with the latter I request that you give urgent consideration to the shipping factor. A cut in shipping available for military and civilian supplies in this theater for the months of November and December has recently been made effective which will affect the tonnage of civilian supplies (imports). I request that in connection with the food problem you give parallel consideration to the provision of shipping so that whatever program you may authorize as called for by the declarations of the new policy of the two governments will not fail for want of ocean tonnage.

3557

To issue

TO: AGWAR for CCS for CCAC

INFORMATION: Central District UK Base Section (London) for ECS, HQ ComZone
Main (ETOUSA)

FROM: Wilson

This is MAT _____.

1. This relates to transfer to Italian Government of dollars resulting from troop expenditure in Italy, and transfer responsibility to Italy for financing essential imports. AC transmitted US proposals received through State Department to Italian Government on 13 October at request American representative Advisory Council. Thereafter the AC requested through State Department technical information respecting the implementation of this program. In reply on 18 October 1944 the American Representative in light of State Department clarification requested the AC to instruct the Italian Government to confine its consideration to the terms of President Roosevelt's press release of 10 October 1944.

The implementation of the program announced in the press release requires clarification as do the terms of the original proposal now temporarily in abeyance.

Guidance is requested, especially on the following matters:

2. The phrase by "dollar equivalent of lire issued to US troops in Italy" is meant only net amount of gross lire outpayments to troops which is spent on civilian goods and services in Italy and not remitted to US or spent in FX or for War Bonds. We have obtained for Mitchell-Murrie Mission provisional estimates this net amount for Anglo-American forces, but high degree accuracy not possible.

3. Inconnection policy and procedure relating Allied Lire expenditures other than for troop pay, see MAT 353 of 12 October.

4. Basis on which net earning of Italian shipping will be calculated not known here and information would be appreciated.

5. Procedure by which Italian Government may withdraw proceeds in foreign exchange accruing under proposed policy not clear to us. Under present arrangements AFA may initiate payments of dollars from accounts derived from remittances and exports in addition approving payments initiated by Italian Government. Experience suggests this power to initiate should be retained by some Allied agency to avoid interminable delay in effecting dollar payments.

SECRET

(15) incl 'C'

EMS/dfe

A/CG 400.38

19 October 1944

Subject: Financing of Civilian Supplies for Italy

To: G-5 Section, Allied Force Headquarters, APO 512

I am enclosing herewith copy of a letter and attachments received from the American Representative on the Advisory Council for Italy dated 18 October 1944, together with my reply of this date.

(12)

(13)

ELERY W. STONE
Commodore, USNR
Acting Chief Commissioner

2 Incls.

cc: Economic Section
Finance Sub. Com.
Mr. Mitchell
Mr. Morris
Sir Noel Charles
Cof S
"A" files ✓

3555

400.38

(14)

14 Oct

100/100

19 October 1944

My dear Mr. Ambassador:

Receipt is acknowledged of the paraphrase of a telegram dated October 18th from the Department of State replying to the points raised by me in my letter to you of October 13th. This telegram raises the following points:

1. You will, I feel sure, appreciate the difficulty in which this Commission is placed by reason of the fact that this telegram indicates that the United States Government has not yet decided upon the date at which the U.S. Army, or some other United States agency, would cease to finance the procurement of those supplies from the U.S.A. to Italy required to prevent an outbreak of disease or unrest. The absence of certainty on this point makes it impossible to know how and when to use the funds released to the Italians by the President's statement of October 18th for the purchase of supplies which would supplement those essential supplies now being provided by the United States Army. For example, if the United States Army, for that portion of the essential supplies to be found from U.S. sources, were to cease to finance procurement on, say, December 31st 1944, it would soon be necessary, in order to ensure the continuance of the existing import program of essential civilian supplies for Italy during the first six months of 1945, to earmark for that purpose a large part, if not the whole, of the \$135,000,000 recently made available.

In order to permit this Commission to make the necessary plans for any utilization of the \$135,000,000, I would be grateful if you would ascertain from the Department of State the length of time for which the U.S. War Department intends to continue to finance that portion of the supplies for Italy procured in the United States, or under U.S. auspices, which are needed to meet the minimum standards calculated by the Combined Chiefs of Staff as necessary to prevent disease and unrest.

In the meantime, until word has been received from the Combined Chiefs of Staff on this fundamental question of policy towards Italy, I think that, as stated in the 3rd paragraph of my letter to you of October 13th - copy of which was sent to you - it would be inexpedient for this Commission to make any further communication to the Italian Government on this matter.

19 Oct

400.38

3554

On the other hand since it is becoming urgently necessary to make some further communication to the Italian Government I hope that it will be possible for the Combined Chiefs of Staff shortly to communicate to this Commission the reply to the important questions of policy which I have raised above, accompanied by the detailed technical arrangements and procedures promised in your letter of October 18th.

2. With reference to sub-paragraph (b) of the State Department's telegram, the assumption of this Commission was not that reference was to the dollar equivalent of the total line issued to troops but only to the net amount after deductions for remittances home or purchases of war bonds. From the records available here it would appear that the \$135,000,000 derives from the net and not the gross figure.

I would be grateful if you would be good enough to pass on to the State Department the contents of this letter, a copy of which I am sending to WHG.

Yours very truly,

ALLAN W. STONE
Commodore, USN
Acting Chief Commissioner

The Honorable Alexander Kirk
U.S. Representative to the
Advisory Council for Italy
Via Vittorio Veneto, 119
Rome

cc: WHG
Economic Section
Finance Sub-Commission
Mr. Mitchell
Mr. Morris

Cof-5
A. F. Jones
Su Noel Charles

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Rome, October 18, 1944.

CONFIDENTIAL AND URGENT.

Dear Commodore Stone:

With reference to your letter of October 13, 1944, I have now received a telegram from the State Department in response to my request for clarification of the points raised by you. While the Department explains that definite answers on all of your questions cannot be given at this time, I trust that its discussion of them, as paraphrased in the enclosed memorandum, will be useful to you.

I have now also received the enclosed official text of the complete and final statement made by the President on the United States financial arrangement for Italy which was released from the White House on October 10, 1944; and in communicating the statement to the Italian Government in continuation of your previous references on the matter to the President of the Council, I should be glad if you would request that for the moment His Excellency confine his consideration to the term of the release in question pending the communication to him of a further statement of the detailed technical arrangements and procedure which will be forthcoming.

Sincerely yours,

A. Kirk

American Representative
on the Advisory Council for Italy.

3552

Commodore Ellery Stone,
Acting Chief Commissioner,
A.C.C.,
R o m e.

Enclosures:

104

With reference to your letter of October 13, 1944, I have now received a telegram from the State Department in response to my request for clarification of the points raised by you. While the Department explains that definite answers on all of your questions cannot be given at this time, I trust that its discussion of them, as paraphrased in the enclosed memorandum, will be useful to you.

I have now also received the enclosed official text of the complete and final statement made by the President on the United States financial arrangement for Italy which was released from the White House on October 10, 1944; and in communicating the statement to the Italian Government in continuation of your previous references on the matter to the President of the Council, I should be glad if you would request that for the moment His Excellency confine his consideration to the term of the release in question pending the communication to him of a further statement of the detailed technical arrangements and procedure which will be forthcoming.

Sincerely yours,

A. Ellery Stone

American Representative
on the Advisory Council for Italy.

Commodore Ellery Stone,
Acting Chief Commissioner,
A.C.C.,
R o m e.

Enclosures:
As stated.

1951
3552

(12)

18 Oct

M E M O R A N D U M.

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 those 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 ACC 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 CCAC 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.

3551

Stone has raised concerning the financial arrangement of the United States in the matter of civilian supplies. The following discussion relates to those 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 ACC that there is only included the dollars equivalent of lire issued to the troops in Italy is correct.

3551
(c) Under (b) approximately 135 million dollars is estimated now to have accumulated. Since CCAC 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 ACC is correct that the proceeds meant 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

14 INCL 1A
United

- 2 -

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.

3550

(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.

3550

12 / NCL 'A'

1050

COPY OF TELEGRAM RECEIVED OCTOBER 18, 1944.

130

The following is the full text of the statement by the President on United States financial arrangements for Italy released by the White House on October 10, 1944;

I have today approved the recommendation of the Secretaries of State, Treasury and War and of the Foreign Economic Administrator that the United States Government currently make available to the Italian Government the dollars equivalent to the Italian lire issued up to now and hereafter as pay to United States troops in Italy. The dollars proceeds of remittances made by individuals in this country to friends and relatives in Italy are also being made available to the Italian Government as are the dollar proceeds of any products exported by Italy to this country. It has been our intention to make available to the friendly Western European countries dollars equivalent to the local currency issued as pay to American troops in their territory. This policy differs from that to be applied in the case of Italy since in the latter case it is subject to special restrictions reserved to the United States in connection with the final peace settlement. The dollars made available to Italy will be used by the Italian Government to pay for essential civilian supplies purchased in this country for use in liberated Italy.

The United States Army has supplied substantial amounts of certain essential civilian goods such as food, clothing and medical supplies as a necessary part of military operations in Italy. The funds which I am now making available will enable the Italian Government under control of appropriate Allied authorities to obtain in this country other essential civilian supplies and to continue to obtain essential supplies after the United States Army program ceases. This step has been taken after consultation with the British Government which has also been providing essential civilian supplies to the Italians and will continue to provide its share of an agreed program of such supplies but under different financial arrangements. The Fascist dictatorship which led Italy into war against the United States and the other United Nations has been overthrown. Today the Italian people are cooperating with the United Nations' forces in driving the Germans from Italy. Our soldiers, sailors and airmen are welcomed and assisted by the civilian population in Italy wherever they go. Italian troops are joined with our forces at the front and behind the German lines. Italian partisans

1051

The following is the full text of the statement by the President on United States financial arrangements for Italy released by the White House on October 10, 1944;

I have today approved the recommendation of the Secretaries of State, Treasury and War and of the Foreign Economic Administrator that the United States Government currently make available to the Italian Government the dollars equivalent to the Italian lire issued up to now and hereafter as pay to United States troops in Italy. The dollars proceeds of remittances made by individuals in this country to friends and relatives in Italy are also being made available to the Italian Government as are the dollar proceeds of any products exported by Italy to this country. It has been our intention to make available to the friendly Western European countries dollars equivalent to the local currency issued as pay to American troops in their territory. This policy differs from that to be applied in the case of Italy since in the latter case it is subject to special restrictions reserved to the United States in connection with the final peace settlement. The dollars made available to Italy will be used by the Italian Government to pay for essential civilian supplies purchased in this country for use in liberated Italy.

The United States Army has supplied substantial amounts of certain essential civilian goods such as food, clothing and medical supplies as a necessary part of military operations in Italy. The funds which I am now making available will enable the Italian Government under control of appropriate Allied authorities to obtain in this country other essential civilian supplies and to continue to obtain essential supplies after the United States Army program ceases. This step has been taken after consultation with the British Government which has also been providing essential civilian supplies to the Italians and will continue to provide its share of an agreed program of such supplies but under different financial arrangements. The Fascist dictatorship which led Italy into war against the United States and the other United Nations has been overthrown. Today the Italian people are cooperating with the United Nations' forces in driving the Germans from Italy. Our soldiers, sailors and airmen are welcomed and assisted by the civilian population in Italy wherever they go. Italian troops are joined with our forces at the front and behind the German lines Italian partisans are heroically giving their lives in the struggle. It is to our interests that Italy be able to contribute as fully as possible to the winning of final victory while the reestablishment of Italy as a free independent and self-supporting nation must be primarily the responsibility

of

(14) INCL 13

- 2 -

of the Italian people themselves. It is also to our interest that the Italian people be given the opportunity to obtain and pay for the necessities they need from us if they are to be able to help themselves.

- - - - -

3548

to obtain and pay for the necessities they need from us
if they are to be able to help themselves.

3548

12 INCL 'B'

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
A.F.O. 394.

13 October 1944.

TO : Commodore Stone.

1. Brigadier General Spofford has just telephoned to state that he ^{personally} is in entire agreement with the comments offered on the State Department communiqué.

2. He confirmed that A.F.H.Q. had not been advised and wondered if it would be possible to suggest to Ambassador Kirk that a sentence should be included in his cable to the State Department that a copy of the statement had been sent to A.F.H.Q. for their information. He did not wish to press too hard on this point but considers that it would clarify the position.

3. I understand that Ambassador Kirk is likely to telephone you later to comment on our comments. If so, and you consider that Brigadier General Spofford's suggestion is worth following, you may like to pass it on.

F.A.S. wishes to stress that it is only this that should be mentioned to Kirk.

→ A.P. Grosvenor Smith

Colonel.

Mr. Kirk has agreed to add the suggested sentence.

3547

11

13 Oct

400-38

[Handwritten signature]

CONFIDENTIAL

205/620

A/CS 100.

13 October 1944

Dear Mr. Kirk:

Receipt is acknowledged of your letter of October 12 with attachment indicating that the figure for pay of United States troops is approximately 125 million dollars up to October 1, 1944. The size of this figure would indicate that instead of the gross payments made to troops, as indicated in the President's release and the State Department's message to you, the actual figure intended is the net amount retained by troops in Italy after their remittances to the United States and purchases of War Bonds. However, the reply from the State Department in your message of today would clarify the point.

As indicated in the attached copy of my letter of today to AFHQ, I shall await instructions from AFHQ before implementing the proposed joint import program with the Italian Government.

Sincerely yours,

ALBERT W. STONE
Commodore, USNR
Acting Chief Commissioner

The Honorable Alexander Kirk
U. S. Representative to the
Advisory Council for Italy
Via Vittorio Veneto, 119
ROME

cc: C of S
Economic Section
Finance S/C
"A" Files
Political Section

CONFIDENTIAL 3546

400.38
X-100-1
OK
3

10

13 Oct

CONFIDENTIAL

A files

JMS/dfo

A/CC 400.38

13 October 1944

Subject: Financing of Civilian Supplies for Italy

To: Allied Force Headquarters, AFHQ
(Attention: G-3 Section)

1. There is enclosed herewith copies of communications received from the American Representative of the Advisory Council for Italy dated October 11 and October 12 respectively together with a copy of my letter with attachment to the Prime Minister dated 13 October.

2. There is also enclosed a copy of my letter of October 13 to the American Representative on the Advisory Council for Italy, who is, I understand, calling the State Department along the lines indicated in my letter.

3. For your information, no steps are being taken to request the Italian Government to draw up a program of essential civilian requirements jointly with this Commission, as set forth in paragraph 7 of the attachment above referred to until instructions to this effect are received from AFHQ.

WILBERT E. STONE
Commodore, USN
Acting Chief Commissioner

4 Incls:

- 1 - Ltr, 11 Oct 44, fr Am. Rep. on Advisory Council
- 2 - Ltr, 12 Oct 44, fr Am. Rep. on Advisory Council
- 3 - Ltr, A/CC 400.38, 13 Oct 44, to Prime Minister
- 4 - Ltr, A/CC 100, 13 Oct 44, to Am. Rep. on Advisory Council

cc: Sir Noel Charles
Hon. Alexander Kirk
~~G-3, AFHQ~~
Chief of Staff, AOC
Economic Section
Finance Sub-Commission
'A' Files

- Inclosures 1 & 3 previously sent to you.

Political Section

CONFIDENTIAL

13

Oct

400.38

3545

File
HGP

CONFIDENTIAL

WHS/dpe

L/CO 400.38

13 October 1944

My dear Mr. 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 the 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,

FRANK B. STONE
Commodore, USN
Acting Chief Commissioner

Encl.

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

cc: Sir Noel Charles
Hon. Alexander Kirk
G-5, AFM. (2) (Advance copy)
Chief of Staff
Economic Section
Finance Sub-Commission
'A' Files
Political Section

CONFIDENTIAL

ITAL GOVT
INFORMED

CONFIDENTIAL

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 date 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 to troops of the United States in Italy under the head of payments to them. 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. funds 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 or 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 that date 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, remittances to that country, and other items of Italian credit which similarly shall have accrued or shall accrue.

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

1052

ter will be aided in amending 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 date 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 to troops of the United States in Italy under the head of payments to them. 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. In 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 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, remittances to that country, and other items of Italian credit which similarly shall have accrued or shall accrue.

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

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' services 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 offsetting charges for freight resulting from the transportation in non-Italian ships to Italy of essential supplies for civilian use.

8. INCL

CONFIDENTIAL

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 assistance with the Italian Government and of other agreements, technical or political, or so 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."

3542

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.

5. 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 amity with the Italian Government and of other agreements, technical or political, or as in any way whatever modifying the statutes 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."

3542

(81) INCL

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Rome, October 13, 1944

Strictly Confidential

(6)

Dear Commodore Stone:

With reference to your letter of October 13 regarding the United States' arrangements for financing civilian supplies for Italy, it would seem, in view of the release which has already been made in the United States regarding that arrangement, that no further delay should occur in acquainting the Prime Minister with the information now available to us here. At the same time, it could be explained that the clarifications which you consider necessary have been requested and that in the meanwhile the Italian Government should regard your communication as a matter of confidential information which will be amplified by further clarification.

Sincerely yours,

A. Rib.

American Representative
on the Advisory Council for Italy

Commodore Ellery Stone,
Acting Chief Commissioner,
Allied Control Commission,
Rome.

3541

(7)

13 Oct

File.

File
HGP

430.38

SECRET

"A" files

SBS/cfe

13 October 1944

4/00 100

(4)

Dear Mr. Kirk:

With reference to your letter of October 11th which forwarded a statement of United States' arrangements for financing civilian supplies for Italy, and with reference to our conversations of yesterday on this subject, certain points require clarification, and I should be grateful if you could cable the Department urgently regarding them.

Paragraph "B" below raises a question of the greatest importance, since the amount of lire retained in Italy and not sent home by troops is only approximately 37% of the total amount issued to them. Under ordinary circumstances, I should prefer to await clarification of this point in particular which is really the heart of the entire statement, before presenting it to the Italian Government. If, however, you feel that the Government should receive the statement as drafted, I will present it to the Prime Minister today, advising him that we have cabled urgently for clarification of the following points listed below, with the exception of "B" which might be omitted from the statement.

A. In view of the questions already asked by the Italians, it is essential that we be informed of the date on which the U. S. Army's responsibility for procurement will pass to Italian Government.

B. We assume that only that part of the dollar equivalent of lire issued to troops of the U.S. which is not sent home by way of remittance or War Bond purchases will be made available to the Italian Government.

C. In connection with the dollars made available under "B", it would be desirable to know the approximate amount to answer the questions already raised by the Italian Government and in order to formulate the required joint program of essential civilian requirements for Italy.

D. With reference to the dollar proceeds of Italian exports and remittances transmitted to Italy through dollars and other items, we assume that only exports to the U.S. and remittances from the U.S. are intended. In view of the need of paying domestic expenses on a current basis it would be desirable to have an approximation of such dollar proceeds.

E. It is felt undesirable to inform the Italian Government that the British Government and the U.S. Government will jointly seek an arrangement with the French Committee for National Liberation until such arrangements have been made.

SECRET

400.38
X-100-1-01
3540
JWS
480(6)
13 Oct

SECRET

Will you kindly telephone me your views.

Sincerely yours,

ELBERT H. STONE
Consul General, Rome
Acting Chief Commissioner

The Honorable Alexander Kirk
U. S. Representative to the
Advisory Council for Italy
Via Vittorio Veneto, 119
Rome

cc: Political Section
Finance Sub-Commission
Sir Noel Charles
Chief of Staff Section

3539

SECRET

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Personal and Confidential

Rome, October 12, 1944

Dear Commodore Stone:

(4) Referring to the United States program for financing essential Italian civil requirements which I transmitted to you with my letter of October 11, I enclose herewith certain material summarized from communications received from the Department of State which I trust will be useful for background purposes.

Sincerely yours,

A. R. L.

American Representative
on the Advisory Council for Italy.

Enclosure:

As mentioned.

Commodore Ellery Stone,
Acting Chief Commissioner,
Allied Control Commission,
Rome.

3538

400-38

(5)
12 Oct

(1) Accurate estimates of what will probably accrue to the Government of Italy under the several items which the program provides for can no doubt be supplied by the Allied authorities in Italy. In the matter of pay of United States troops a rough guess here (i.e. in Washington) is that by October 1, 1944, about \$125,000,000 will have accrued, and that in the succeeding year an additional \$25,000,000 may accrue.

(2) When the program is submitted, it is essential that the Government of Italy realize that its capacity to obtain from the United States essential imports will be limited strictly to the assets in dollars which from the items provided for above become available to the Government of Italy.

3557

5 INCL

UNITED STATES REPRESENTATIVE
ADVISORY COUNCIL FOR ITALY

Rome, October 11, 1944

URGENT

Dear Commodore Stone:

3

With reference to our previous conversations concerning a proposed release to be given by President Roosevelt on the subject of United States arrangements for the financing of civilian supplies for Italy, I wish now to inform you that I have just received an urgent telegram from the State Department informing me that the President's release was being given to the press for the morning papers of October 11, and instructing me that the Italian Government should be informed of the aforementioned arrangements.

I am therefore hastening to supply you, for the information of the Italian Government, with a paraphrased statement of those arrangements as outlined in a telegram received from the Department.

Sincerely yours,

A. R. R.

American Representative
on the Advisory Council for Italy

Commodore Ellery Stone,
Acting Chief Commissioner,
A.C.C.,
Rome.

3536

4
det

400.38

- 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 ACC.
- 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 date 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 to troops of the United States in Italy under the head of payments to them. ^{30.33} The Italian Government will use the dollars accruing to it from this source in purchasing supplies for essential relief and rehabilitation:

population at that date under the jurisdiction of ACC.

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 date 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 to troops of the United States in Italy under the head of payments to them. 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 made to Italy, and

(24)

10/6/60

- 2 -

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, remittances²⁵³⁴ to that country, and other items of Italian credit which similarly shall have accrued or shall accrue.

Agreement to this proposal by the British Government will not constitute a condition to the United States

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, remittances³³⁴ to that country, and other items of Italian credit which similarly shall have accrued or shall accrue.

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

5) The Italian Government will be credited by the United States and British Governments with the balance which

(4) INCL

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 offsetting 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 seek jointly with the latter the agreement to an arrangement of similar character of the French Committee for National Liberation.

7) 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.

8) 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.

ternatively for offsetting 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 seek jointly with the latter the agreement to an arrangement of similar character of the French Committee for National Liberation.

7) 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.

8) 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

44-11166

- 4 -

by the military authorities, the Allied civil agencies concerned, and other bodies having responsibility for the transportation of the requirements and their handling.

g) 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 Italian citizens by the 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.

- - - - -

3522

the transportation of the requirements and their handling.

g) 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 Italian citizens by the 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.

3522

41 INC 6

October 11, 1944.

The President made the following statement last night:

I have today approved the recommendation of the Secretaries of State, Treasury and War, and of the Foreign Economic Administration, that I currently make available to the Italian Government the dollars equivalent to the Italian lire issued up to now and hereafter, as pay to United States troops in Italy. The dollar proceeds of remittances made by individuals in this country to friends and relatives in Italy are also being made available to the Italian Government, as are the dollar proceeds of any products exported by Italy to this country.

It has been our intention to make available to the friendly Western European countries dollars equivalent to the local currency issued as pay to American troops in their territory.

This policy differs from that to be applied in the case of Italy since in the latter case, it is subject to special restrictions reserved to the United States in connection with the final peace settlement.

The dollars made available to Italy will be used by the Italian Government to pay for essential civilian supplies purchased in this country for use in Liberated Italy. The United States Army has supplied substantial amounts of certain essential civilian goods such as food, clothing, and medical supplies as a necessary part of military operations in Italy.

The funds which I am now making available will enable the Italian Government, under control of appropriate Allied authorities, to obtain in this country other essential civilian supplies and to continue to obtain essential supplies after the United States Army program ceases. This step has been taken after consultation with the British Government, which has also been providing essential civilian supplies to the Italians and will continue to provide its share of an agreed program of such supplies, but under different financial arrangements.

The Fascist dictatorship which led Italy into the war against the United States and the other United Nations has been overthrown. Today, the Italian people are cooperating with the United Nations forces in driving the Germans from Italy.

Our

3 Set

-2-

Our soldiers, sailors, and airmen are welcomed and assisted by the civilian population in Italy wherever they go. Italian troops are joined with our forces at the front. And, behind the German lines, Italian Partisans are heroically giving their lives in the struggle.

It is to our interests that Italy be able to contribute as fully as possible to the winning of final victory! While the reestablishment of Italy as a free, independent, and self-supporting nation must be primarily the responsibility of the Italian people themselves, it is also to our interests that the Italian people be given the opportunity to obtain and pay for the necessities they need from us, if they are to be able to help themselves.

(KIRK)

3530

SECRETMEMORANDUM

Rome, September 7, 1944.

Briefly, under the plan the United States Government would make available to the Government of Italy, certain dollar funds for use in the procurement, subject to appropriate Allied control, of civilian supplies in the United States, additional to those being supplied by the United States Army; also to procure other necessary supplies after the Army program is terminated.

The dollar funds in question would be (1) the equivalent of the amounts now paid and hereafter to be paid in lire to American troops in Italy; (2) the proceeds of remittances sent by persons in the United States to their relatives and friends in Italy; (3) the proceeds of Italian exports to the United States.

From
Amb Kirk

FILED
100

3529

(2)

7 lgt

X
1-100-1
100.38

Personal for Capt. Stone

MEMORANDUM

A 192
8 SEP 1944

The American Representative on the Advisory Council for Italy has been informed by the Department of State that a memorandum has been submitted to the President recommending approval by him of certain arrangements for financing supplies for Italy obtained from the United States, and recommending in addition the issuance by him of a release on the subject.

Following the approval by the President of these financial arrangements, and before the recommended release is issued, the American Representative on the Advisory Council will be at once asked by the Department to request the Allied Control Commission to inform the Government of Italy of the arrangement of the United States for financing referred to above.

Rome, September 6, 1944.

460.381

3528

that a memorandum has been submitted to the President recommending approval by him of certain arrangements for financing supplies for Italy obtained from the United States, and recommending in addition the issuance by him of a release on the subject.

Following the approval by the President of these financial arrangements, and before the recommended release is issued, the American Representative on the Advisory Council will be at once asked by the Department to request the Allied Control Commission to inform the Government of Italy of the arrangement of the United States for financing referred to above.

Rome, September 6, 1944.

CAL:lf

3528

FILES (A) B

(1)

6 Sept

Days Seven

4500.38

FILES A.

LIST OF PAPERS

File under No. 400.38 RELIEF SUPPLIES & ORGANIZATION (ITALY)

Page 4

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
33	Memo Maj Quayle A/CC 400.38	13 Oct 44	Brig Parkinson	Supplies from American Relief for Italy Inc.-to acknowledge and take action on; INCL: Ltr G-5: R-23 of 8 Oct 44.
34	Ltr, Alex Kirk	18 Oct 44	Commo. Stone	US program of making available dol lars for purchase relief supplies.
35	Ltr, Commo. Stone	19 Oct 44	Alex Kirk	US program of making available dol lars for purchase relief supplies. Request further clarification.
36	Ltr Commo. Stone A/CC 400.38	19 Oct 44	G-5 AFM	US program of making available dol lars for purchase relief supplies.
37	Ltr, Myron Taylor	19 Oct 44	Commo. Stone	The 1700 trucks requisitioned by ACC are for north of Roman line.
38	Ltr Commo. Stone	23 Oct 44	Myron Taylor	Tax for (37). Hope you and C'Comma can influence the help which we so badly need.

3527

SECRET

