

ACC

10000/136/365

CREATION OF ITALIAN MINISTRY OF SUPPLY
JULY - DEC. 1944

365

1935

4006/CC

LIST OF PAPERS

Office of the
Chief Commissioner

File under No. 4006

CREATION OF AN ITALIAN MINISTRY OF SUPPLY

ALLIED COMMISSION

(Ministry of Commerce)

Also called:

(Ministry of Foreign Trade)

SECRET

Page 2

SERIAL NUMBER	FROM--	DATE	TO--	SYNOPSIS
14	Ltr G-5: E-6	8 Dec 44	Hq AC	CCS policy-guidance.
15	Ltr Mason 307/CCS	10 Dec 44	Econ Sec	CCS policy-guidance; please advise progress since 11 Nov 44.

2969

SECRET

4006/CC

LIST OF PAPERS

Office of the
Chief Commissioner

ALLIED COMMISSION

File under No. 4006 CREATION OF AN ITALIAN MINISTRY OF SUPPLY
(Ministry of Commerce)

Also called: (Ministry of Foreign Trade)

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Page 1

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1	CB1 ACC S-293 Stone	17 Jul 44	AFHQ	Authorization requested for creation of Ital Min of Supply
2	EEC(44) 6 AFHQ Econ Sub-Comm	2 Aug 44		Note by G-5: Request of ACC for authorization to recommend to Ital Govt formation of Min of Supply
3	EEC(44) 7 AFHQ Econ Sub-Comm	3 Aug 44		Report by G-5. Machinery under ACC for control of resuscitation of Ital foreign trade; fixing prices on exchanged goods; customs.
4	CB1 AFHQ F 80997	9 Aug 44	ACC	You are <u>authorized</u> to make recommendation to Ital Govt, for Ministry
5	Memo Densmore CSC	12 Aug 44	Econ Section	Recommendations, pls, re cables
6	Ltr 72/7 Econ Sec	15 Aug 44	CSC A/CC	Meeting being held, will advise
7	Ltr AFHQ Spofford	23 Aug 44	ACC Stone	Italian Exports. Encl memo grew out of deliberations of Econ Sub-Comm, re proposal for It Min Supply INCL: Aide Memoire: Principles by which ACC should be guided in exercising supervision over resuscitation of Ital Foreign Trade.
8968	Ltr AFHQ Spofford	23 Aug 44	Stone	Enclosing papers submitted to AFHQ Econ Sub-Comm: 2 INCLS (2 & 3)
9	Memo Densmore CSC	25 Aug 44	Econ Sec	Pls act urgently on draft
10	Memo Stone	28 Aug 44	Econ Sec	Enclosed are papers submitted to AFHQ Econ Sub-Comm of Pol Committee
11	A/CC 091.3 Stone	29 Aug 44	Econ Sec	Enclosed are AFHQ documents on Ital Exports.
12	Ltr 091.1 Stone	7 Sep 44	Bonomi	Recommendation that Ital Govt set up Ministry of Foreign Trade
13	Ltr, Bonomi	9 Nov 44?	COMMO Stone	Govt not opposed to formation; have formed Committee of Ministers to direct foreign trade.

SECRET

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3	ESC(44) 7 AFHQ Econ Sub-Comm	3 Aug 44		Report by G-5. Machinery under ACC for control of resuscitation of Ital Foreign trade; fixing prices on exchanged goods; customs.
4	Col AFHQ F 50997	9 Aug 44	ACC	You are <u>authorized</u> to make recommendation to Ital Govt, for Ministry
5	Memo Densmore CSC	12 Aug 44	Econ Section	Recommendations, pls, re cables
6	Ltr ES/7 Econ Sec	13 Aug 44	CSC A/CC	Meeting being held, will advise
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SECRET

Inter Office Memo

SUBJECT: Ministry for Foreign Trade.

10 December 1944.

TO : Economic Section.

Ref/307/COS

13

- 1. Further to our 307/COS dated 11 November 44, subject proposed 'Ministry for Foreign Trade'.
- 2. Attached for information and guidance is letter Ref N-6 dated 8 December 44, from G-5, A.F.R.C., copies of which have been retained by Chief Commissioner and Chief of Staff.
- 3. Please advise what progress has been made since 11 Nov 44.

4006/cc

H. Massey Steer

for Chief Staff Officer,
To the Chief of Staff.

Copy to H.O. to the Chief Commissioner.

A/6

2967

15

SECRET

So to CC

DEC 10 1944

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

Ref. E-6

8 December 1944

SUBJECT: Establishment of an Italian Ministry of Commerce
TO : Headquarters, Allied Commission, APO 394

(4)

1. On 26 August 1944 this headquarters advised the C.C.S. that it had authorized the A.C., upon its request, to recommend to the Italian Government the creation of a Ministry of Commerce.

2. Following, for your information and policy guidance, is a paraphrase of the reply received from the C.C.S.:

"Subject is A.C. proposal to recommend to the Italian Govt. the creation of an Italian Ministry of Commerce.

CCAC believes that A.C. should recommend to the Italian Govt. the creation of an Italian foreign trade organization, agency or ministry, the exact form and status of which shall be determined by the Italian Government, and which can:

(A) Review and consolidate Italian import requirements originating from Italian sources and deal with Allied authorities with respect to imports.

(B) Encourage the production of foods for export and make the necessary arrangements for their exportation

(C). Perform such other functions with respect to Italian foreign trade as may be determined by the Italian Government.

2966

Combined civilian authorities are giving further study to the subject of AFHQ and AC using UKCC and USCC in handling commercial transactions, and you will be advised."

For the Acting Assistant Chief of Staff, G-5:

4006/CC

HEADQUARTERS

J. E. EUTERWORTH
Colonel, G.S.C.

Chief, Economics & Supply Division

Capins to ECON SEC (ORIG)

So to CC

SECRET

Cap S

(14)

Translation

The president of the Council of Ministers

Rome, ...

Dear Admiral,

Your letter of September 7th, communicating to me the proposal of A.C. to form a Ministry for Foreign Trade, has been the object of a careful examination.

I thank you for the kind interest you show for the rehabilitation of Italy's foreign trade, on which we put great hopes for an easier and more rapid reconstruction of Italy's economy.

Referring to the proposal of forming a ministry, I think it necessary to make a summing up of the trade organization in Italy. The discipline, and the policy of foreign trade have always been, in Italy, the concern of the Ministry of Industry and Commerce, and this also when it took the name of Ministry of National Economy and later on that of Ministry of Corporations. In May 1939, is when the fascist Government started the autarchic policy and the manoeuvre of foreign exchanges in function of the program of political expansion and military action which caused the war, this matter was taken away from the Ministry which was directing the economic policy of the country, and entrusted to a new and independent service of the State, first called Sovrintendenza allo scambio delle valute, then Sotto segreteria di Stato per gli scambi e le valute and finally Ministero per gli scambi e per le valute.

The activity of the Ministero scambi e Valute came to an end in September 1943, for it was suppressed by the Badoglio Government.

Later on the Italian Government residing in Salerno suppressed the said Ministry by Royal Decree, 2 June 1944, n. 150, transferring its attributions to the original Administrations, i.e. to the Ministry of Treasury for the exchanges and to the Ministry of Industry, Commerce and Work for the remaining part, especially all things related to the discipline of economic and commercial relations with foreign countries, and imports and exports.

Therefore, the proposal of A.C. which you have communicated to me, is an innovation in our regulations, but it is really the re-establishment of an organ which already existed, is the Ministero degli scambi e valute, ministry which had been suppressed when this Government took up its functions.

Because of these proceedings, and because of the necessity of examining thoroughly the advantages and disadvantages of re-establishing a Ministry which has already been put to the trial, I had to delay giving an answer, to collect and examine the opinion of experts, and that of the Ministers dealing with this matter.

In substance, the Government is not opposed to the formation of a Ministry which would be in charge of the trade, and would collect the initiatives related to imports and exports, coordinating them and giving them unity of direction. But before making such a creation, it seems necessary to go through a period of preparation and experiment.

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4006/100

To this aim, the Government has formed a Committee of Ministers especially competent about this matter; they are to direct and discipline the activities related to foreign trade. A permanent office with which N.C. can have frequent contacts is going to be constituted; the Interministerial Committee will thus have continuity of action and will be in a position to have its decisions put to execution.

Thus, I hope that the aims indicated by your letter of the 7th will be reached.

Truly yours,

/s/ I. Bonomi

Admiral Ellery W. Stone
Chief Commissioner of the Allied Commission

R O M E

2964

trans. N.C.

13

1942

Ext: 386

Ref: ³⁰⁷~~27~~/OCB

11th November 1944

SUBJECT: Proposed Ministry for Foreign Trade.

TO : DCS, Economic Section, AC.

1. The enclosed original and translation of a letter from Prime Minister Bonzi to the A/CC is forwarded for your information and any action you consider necessary.

W. J. G. L. 151

Chief Staff Officer,
To the Chief of Staff.

Encls.

295

Copy to: Major Quayle.

2963

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See (13)

AGA/mrh

A/CC 091.1

7 September 1944

My dear Mr. Prime Minister:

The time is now approaching when a broader view of Italy's foreign trade problem would appear to be called for, and a more positive attitude adopted. In our opinion, the Italian Government, in possession of its ministerial facilities in Rome, is now in a position to take an active part in foreign trade development. Furthermore, the nation's interest requires that it actively search for, and pursue, policies most conducive to the sound expansion of its foreign trade.

In light of this it is the opinion of the Allied Control Commission that the Italian Government should create a Ministry of Foreign Trade. This Ministry should stimulate and control imports, exports and the use of foreign exchange in connection with imports and exports.

We envisage the following functions of the proposed Ministry of Foreign Trade:

Imports. The Ministry will receive estimates of requirements for producers' goods from the Ministries of Industry, Commerce and Labor and Agriculture, and will screen them. It will also calculate needs for imports of consumers' goods from its own estimates of requirements and estimates of production prepared by the Industry and Agriculture Ministries.

The Ministry will be responsible for the warehousing, transportation and accounting for imported goods from the time of their arrival in an Italian port until they are turned over to the appropriate authority for their distribution.

Exports. The Ministry will ascertain what foreign demand exists for goods which might be produced in Italy for export, and at what prices these can be sold. It will, at the same time ascertain from the Ministries of Industry and Agriculture what can be produced for export, in what quantities and at what cost. On this basis, the Ministry will draw up an export program, determining both quantities and prices to be exported.

D911.1
X-091.3-1
MADP

2962

(12)

original delivered by hand

7 Sept 1944

See (13)

FILES (A-B)

to

His Excellency the Prime Minister
Page 2.

7 September 1944

Wherever necessary, the Ministry should be prepared to handle the goods, including transportation and warehousing. During the early stages of its operations, the Ministry, will in all probability, be required to make all of its export sales to USCC and UKCC.

Foreign Exchange. The Ministry, as part of its functions of programming exports, will need to draw up a budget of foreign exchange availability.

The preceding description of functions presupposes a need for strict and complete government control of imports, exports and foreign exchange transactions. It is believed that this will be necessary for some time after the end of the war, in view of the extreme shortage of imported goods and of foreign exchange to buy them with. Foreign exchange and the goods that can be bought with foreign exchange, will have to be strictly allocated and rationed to those demands which have the highest priority from a national standpoint. With a return to more normal conditions, however, it is assumed that foreign trade controls will be relaxed.

May I have your views as soon as possible?

Yours very truly,

ELLERY W. STONE
Captain, USNR
Acting Chief Commissioner

2961

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

54 131

Hand
8 Sept 1100
DKK

SECRET

HEADQUARTERS ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
APO 394

EWS/eJp

A/CE 091.3

29 August 1944

Subject: Italian Exports

To : Vice President,
Economic Section.

7

1. Reference attached:

a. Copy of letter G-5 Section, AFHQ (Spofford), dated 23 Aug 44, "Italian Exports".

b. Copy Aide - Memoire I, "Principles by which the Allied Control Commission should be Guided in Exercising Supervision and Control over the Resuscitation of Italian Foreign Trade".

7
WWS

2. Copies of above references are being supplied Political Section.

3. Above transmitted to Economic Section for appropriate coordination and action.

4. Note G-5 Section's statement " . . . we feel that the importance of the subject merits the start of work upon it as soon as you conveniently can".

2960

Stone.

2 Incls:
as in para 1 a & b above.

cc. Pol Sec

Hq ACC Sec'y Gen.
DISPATCHED
Date-Time 30 AUG 1944
via *mm* 1225
Initials *LS*

Act. Gen. Suspended to Sept 10 1944

*091.1 War Section
X-091.3 Comments
W*

11

29 Aug

FILES A B
100

~~SECRET~~

Hq ACC - Sec'y Gen.
DISPATCHED
 Date-Time: 29 Aug 1930.
 VIA
 Incls
 18102...

Office of the Acting Chief Commissioner

Creation of Ministry of Commerce (or
 Ministry of Supply)
 Vice President,
 Economic Section.

A/CC 091.1

28 Aug

4

1. Reference attached letter from G-5 Section, AFHQ, dated 23 August 44, and reports ESC (44) 6 and ESC (44) 7 dated 2nd and 3rd August respectively, subject as above.

2. Referred to your section for appropriate action.

2959

FILES (A-B) Stone.

3 Incls:
 as in para 1 above.

X-291.3
 1-110
 Capt. Stone
 Insp. Stone

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2
 Suspended
 10
 100

512754

HEADQUARTERS ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
APO 394

LDD/ajp

A/CC 091.1

25 August 1944

Subject: Creation of Italian Ministry of Supply.

MEMORANDUM FOR: Economic Section,
(Att: Mr. Antolini)

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1. Attention is directed to reference Memo from Office of the Acting Chief Commissioner to your section, file 091.1, dated 12 Aug 44, subject as above, attached to which was copy of AFHQ message F 30997, dated 9 Aug, same subject.

2. General Clark (AFHQ) has inquired of the Acting Chief Commissioner the status of the matter, pointing out to the Acting Chief Commissioner that AFHQ gave its approval on 9 August 44.

3. It is urgently requested that the Acting Chief Commissioner be given Economic Section's recommendations on this matter. May this matter be considered urgent.

For the Acting Chief Commissioner:

2958
43 Aug 1945

51 30 Aug
512764

FILES D.D.
7000

L. D. DENSMORE
Colonel, Sig C.
Chief Staff Officer

x - 400
091-1
Antolini

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

CMS/CFD/mls

A 91
31 AUG 1944

HQ AFHQ APO 394

23 August 1944

245
27 Aug 1944
29192

Dear Captain Stone:

I am enclosing two papers which you and others of the Commission's staff may find of interest. These papers were submitted by G-5 to the Economic Sub-Committee of the Supreme Allied Commander's Political Committee. This Sub-Committee, as you perhaps already know, is under the chairmanship of General Clark, and includes General Lewis, General Adcock, Mr. Macmillan, Mr. Murphy and myself.

2

The first paper concerns your proposal to recommend to the Italian Government the creation of a Ministry of Commerce, or Ministry of Supply. This proposal was approved as we informed you by our signal F 80997 of 9 August.

4

The second paper consists of several memoranda discussing certain problems connected with Italy's foreign trade. A number of recommendations are put forward containing certain of the elements of a unified program for the development of both organization and policy in this field. The most important recommendation, possibly, concerns the use of the UKCC and the USCC as an arm of AFHQ and of the ACC in performing the commercial work connected with foreign trade. Other recommendations concern a revision of the present price policy for exports, measures to stimulate Italy's exports, and certain questions of economic policy.

X-0913

3

It is understood that these memoranda in their earlier drafts were discussed with certain members of your staff including General O'Dwyer, Mr. Antolini, Colonel Evans, Colonel Grafftey-Smith, Colonel Foley, Major Gent, Mr. Wadleigh and others.

Sincerely yours,

CHARLES M. SPOFFORD,
Colonel, G.S.C.,
Asst. Chief of Staff, G-5.

2957

Incls: as above

Captain Ellery W. Stone, USNR,
Acting Chief Commissioner,
Headquarters, Allied Control Commission,
APO 394.

8

23 Aug

~~SECRET~~

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

HO APO APO 394
844
REC 27 Aug 1945
BY *WKR*

OAS/GPD/JW

23 August 1944

SUBJECT: Italian Exports

TO : Headquarters, Allied Control Commission, APO 394
(Attn: Captain Ellery W. Stone, USNR)

④
1. On 9 August, as I have already written to you, the Economic Sub-Committee of the Political Committee met to consider your proposal for a Ministry of Commerce as well as several memoranda discussing various problems connected with Italy's foreign trade. One of these papers concerned the "Principles by which the Allied Control Commission should be guided in exercising supervision and control over the resuscitation of Italian foreign trade."

2. This memorandum, revised to record the Sub-Committee's action, is enclosed in two copies. You will note that certain action under points a, b and d lies with the ACC. The other action under points c and d, within the field of the Foreign Office and the Department of State, has been drawn to the attention of Mr. Macmillan and Mr. Murphy. While the program in question admittedly is of a relatively long-range character, we feel that the importance of the subject merits the start of work upon it as soon as you conveniently can. I understand that Mr. Wadleigh of the Staff of the Economic Section has had considerable experience in this field, and am told that he would be qualified to work on the problems concerned if he can be spared from other duties.



CHARLES M. SPOFFORD
Colonel, G. S. C.
Asst. Chief of Staff, G-5

2956

Incl:
as above.

⑦

23 Aug 1945

SECRET

U.S. SECRET EQUALS BRITISH MOST SECRET

AIDE - MEMOIRE I

PRINCIPLES BY WHICH THE ALLIED CONTROL
COMMISSION SHOULD BE GUIDED IN EXERCISING
SUPERVISION AND CONTROL OVER THE RESUSCITATION
OF ITALIAN FOREIGN TRADE

Foreign trade up to the present has played a moderately important part in the work of the ACC. A variety of items have been exported, amounting in total to about 50,000 tons, but commercial imports thus far have been negligible. The initiative for exports has come from two sources. On the one hand, goods have been asked for by Washington, London and the OFLN, after allocation by the CCS; on the other hand, surplusses available for export have been advised by the ACC through G-5 to the CCS, and in certain cases orders have subsequently been received for shipments to the U.S. or the U.K.

Apart from procuring goods ordered and offering obvious surplusses, the ACC has not made any particular effort to develop Italy's exports. The time, until now, had not come to do so. Shipping and port space could not be allocated for the carriage of any volume of goods not essential to the war effort; ACC lacked the personnel; and the Italian Government was not able to share responsibility for this work.

The time is now approaching when a broader view of Italy's foreign trade problem would appear to be called for, and a more positive attitude adopted. The Italian Government, in possession of its ministerial facilities in Rome, is now in a position to take an active part in export development and is anxious to do so. The impending infiltration of civilian personnel into ACC and the possible use of the UKCC and the USCC may be expected to provide more expert assistance in the foreign trade field. And steps are now being taken, or are under consideration, by ACC in the field of industrial rehabilitation which require the formulation of foreign trade policies and programs.

Furthermore, the nation's interest requires that it actively search for, and pursue, policies most conducive to the sound expansion of its exports. The ACC as the body controlling the Italian Government, cannot properly display a negative attitude in this matter. Nor is it in the interest of the U.S. and the U.K. that it should follow a negative policy. The first task of the Allies has been to keep Liberated Italy alive and as productive as possible so that it might provide a useful base for continuing operations. As the war draws to an end, however, it would seem that attention might advantageously be turned to the problem of how we may be able to bring relief to an end and get out.

Foreign trade is the core of this problem. Cotton, wheat, coal, oils, steel, copper and many other foodstuffs and raw materials, as well as semi-manufactured and manufactured goods, must always be imported to keep Italy's economy operating and its people fed. There is nothing unusual in this situation; the nation has always been heavily dependent on imports which have been paid for by the tourist business and by exports. Italy must export to live.

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U.S. SECRET EQUALS BRITISH MOST SECRET

~~U.S. SECRET~~ ~~EQUALS~~ ~~BRITISH~~ ~~MOST~~ ~~SECRET~~

Unless Italy can export, relief will be needed indefinitely. Food and raw materials will always have to come from the United States and the British Empire; such imports cannot stop. But by helping Italy to rehabilitate its exports business and to reopen its foreign markets we can gradually place the country in a position where it can pay for those imports instead of having them supplied as at present. In other words the way to bring the Italian relief burden of the United States and the British Empire to an end is to rehabilitate not only the production of those goods now being imported, but also the host of industries and handcraft businesses which could produce for export.

Having considered this general problem, the Economic Sub-Committee of the Political Committee has approved the following four recommendations:

a. When the Italian Government shall have created the proposed Ministry of Commerce it will possess a body larger than required for the present limited export program. The Economic Sub-Committee has approved the recommen-
dation that this organization as one of its first duties should be asked by the ACC to draw up a list of items, with f.o.b. lire prices, which could be made available for export in the relatively near future and whose production would require little rehabilitation and little or no imported supplies. This list will be submitted to Washington and London, and possibly to the CPLN and others, by G-5 AFHQ or by the Corporations if their functioning in this capacity shall have by then been authorized.

b. The Anti-Inflation Committee of the ACC has recommended the "development of those production, industrial and transport facilities which though not directly benefiting the war effort, indirectly do so by increasing production of essential consumer goods, checking inflation and contributing to the economic and political stability of the population in rear of fighting forces". In a country such as Italy where so large a part of the economy is based on foreign trade it is impossible adequately to carry out the task of rehabilitation without reference to the many industries and handcrafts which traditionally have manufactured for export. Accordingly, the Economic Sub-Committee has approved the recommen-
dation that the ACC be requested to prepare a study in conjunction with the appropriate departments of the Italian Government, providing a scheduled program of industries which should be rehabilitated or developed for export. A study of this nature would also seem necessary in connection with the plan which it is understood that the ACC has proposed to the Italian Government for the establishment of an Industry Advisory Board and industry committees. The letter on this matter from ACC to the Minister stated: "It is suggested, therefore, that first consideration should be given to the following four categories of industrial activity: --- Thirdly, those industries whose products have traditionally been exportable or whose products under prevailing and post-war conditions are likely to find a ready sale in world markets".

c. Before the study suggested in the preceding paragraph can be carried to its conclusion, it will be necessary to form some estimate as to the conditions of European economic rehabilitation and the general framework in which foreign trade will take place. It is believed that considerations has been given to these problems by the governments in Washington and London for some time, and that they are among the subjects that are being or will be studied by the European Advisory Commission. The Economic Sub-Committee has approved a recommen-
dation that steps be taken to obtain information and guidance on these matters for the benefit of the ACC in its formulation of policies and programs for Italy, and it has suggested that the question be referred by Mr.

U.S. SECRET EQUALS BRITISH MOST SECRET

Mackillan to the Foreign Office and by Mr. Murphy to the Department of State.

d. The progress that can be made by Italy in the field of economic rehabilitation will be limited, and effective planning will be difficult, so long as the basis of its commercial relations with the world's two largest commercial powers remains unsettled and indeterminate. The Economic Sub-Committee, therefore, has approved a recommendation that the ACC study the possible bases for commercial agreements with the United States and the United Kingdom. The Sub-Committee's thought was that this study should be initiated by the ACC, but that the Italian Government should be brought into it at an early stage and should be made responsible for the preparation of the basic material. It was further contemplated by the Sub-Committee that the ACC, at the appropriate time, might approach the American and British Governments with the request that conversations be initiated looking to the conclusion of commercial agreements, and it was suggested that this matter might be referred by Mr. Mackillan and Mr. Murphy to the Foreign Office and the Department of State for any comments they might wish to make.

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U.S. SECRET EQUALS BRITISH MOST SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

JBT/sem

A 2181
15 AUG 1944

13 August 1944

ES/7

SUBJECT: Creation of Italian Ministry of Supply

TO : Chief Staff Officer,
Office of the Acting Chief Commissioner

HQ ACC. APO 394
602 Sec'y Gen.
Rec'd 13 Aug 1944
By ORR

- 1. Reference your 091.1 dated 12 Aug 44, a meeting is being held Monday, 14 Aug 44 to discuss above subject.
- 2. You will be advised of our recommendations.

5-

J. Bruce Thompson Major, R.A.
S.O. 2 (C.A.), Economic Section

2952

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13 Aug 44

files H... JBT

091.1

Office of the Acting Chief Commissioner

Creation of Italian Ministry of Supply.

091.1

12 August

4

Economic Section

1. Reference

1

a. Message S-293 of 17 July to AFHQ relative formation of Ministry of Supply, copy of which is in your files.

b. Message F 80997 from AFHQ, 9 August 44, copy attached.

2. Your recommendations as to way in which this matter should be submitted to the Italian government will be appreciated.

4

800 091.1

file 11/70

Hq. ACC - Sec'y Gen. For the Acting Chief Commissioner:

DISPATCHED

Date: **2951 Aug 1945**

Via: **Mag.**

By: **AKK.**

L. D. DENSMORE
 Colonel, Sig. C.
 Chief Staff Officer

1955

SECRET
ALLIED CONTROL COMMISSION
INCOMING MESSAGE

A 2096

10 AUG 1944

TO: HL ACC.....
 FROM: AFHQ SIGNED SACHED.....
 REFERENCE No: E-80997.....
 DATE AND TIME OF ORIGIN: AUG 091824.....

SIGNAL MESSAGE CENTER No: 79/09
 CLASSIFICATION: SECRET
 PRECEDENCE: NONE
 OFFICE OF ORIGIN: CITE FHGG

You are authorized to recommend to the Italian Government that it form the desired Ministry with functions substantially as outlined in your signal. Refer your ACC S-293 of 18 July. We would prefer name "Ministry of Commerce" which it is understood you now favor.

(1)

ACC DEST:
 ACTION - Sec Gen (2)
 INFO - A/CC
 File
 Pol. Sec.
 Econ. Sec.
 Sir Neil Charles
 Hon. Alex. Kirk

0911

2950

files (A 113/701)

(4)

SECRET

DATE and Time of RECEIPT AUG 10.....

Distribution:

9 Aug

SECRET

ESC (44) 7
3rd August 1944

K-55

ALLIED FORCE HEADQUARTERS

SECRET

COPY NO 30

ECONOMIC SUB-COMMITTEE

REPORT PURSUANT TO THE INSTRUCTIONS GIVEN BY THE
SUB-COMMITTEE AT ITS FIRST MEETING

Note by G-5

At the first meeting of the Economic Sub-Committee held on Thursday, 6 July 1944, the Chief Administrative Officer directed G-5 to study and make recommendations to the Sub-Committee on three subjects. The terms of reference given on each of these subjects are repeated below, together with G-5's recommendations on each.

I

"What machinery should be established under the Allied Control Commission to supervise and control the resuscitation of Italian foreign trade, and by what principles the ACC should be guided in exercising such supervisory and control".

1. Descriptions of the present organisation for handling Italy's foreign trade and of the procedures followed in connection with imports and exports are given in the memorandum attached as Annex A. It is pointed out that no Italian organisation for foreign trade is functioning at present and that practically all of the work of arranging imports and exports, and such rehabilitation for export as there has been, has been done by the ACC and AFHQ. In order to provide a broader organisation to deal with this important segment of Italian economic life, the suggestion is made that an appropriate organisation be created within the Italian Government to perform certain foreign trade functions within Italy, and (see the following paragraph) that the UKCC and the USCC be used to perform certain external functions. There is under consideration by the ACC at present a proposal to create a Ministry of Commerce (or Ministry of Supply) which would have, inter alia, an Import Department and an Export Department. The stage reached in the discussions regarding this proposed ministry, and the principle functions of its import and export branches, are described in a separate paper. The Economic Sub-Committee is requested to take note of the fact that the proposal of the ACC to move for the creation of this Ministry results in part from the directive given by the Committee and that the Import and Export Department of the ministry constitute a part of the machinery "to supervise and control the resuscitation of Italian foreign trade".

2. In the memorandum attached as Annex B is discussed the related problem of the machinery required by AFHQ to assist it in conducting foreign trade operations throughout the Mediterranean Theatre. AFHQ G-5 is not a

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trade and of the procedures followed in connection with imports and exports are given in the Memorandum attached as Annex A. It is pointed out that no Italian organization for foreign trade is functioning at present and that practically all of the work of arranging imports and exports, and such rehabilitation for export as there has been, has been done by the ACC and AFHQ. In order to provide a broader organization to deal with this important segment of Italian economic life, the suggestion is made that an appropriate organization be created within the Italian Government to perform certain foreign trade functions within Italy, and (see the following paragraph) that the UKCC and the USCC be used to perform certain external functions. There is under consideration by the ACC at present a proposal to create a Ministry of Commerce (or Ministry of Supply) which would have, inter alia, an Import Department and an Export Department. The stage reached in the discussions regarding this proposed ministry, and the principle functions of its import and export branches, are described in a separate paper. The Economic Sub-Committee is requested to take note of the fact that the proposal of the ACC to move for the creation of this Ministry results in part from the directive given by the Committee and that the Import and Export Department of the ministry constitute a part of the machinery "to supervise and control the resuscitation of Italian foreign trade".

2. In the memorandum attached as Annex B is discussed the related problem of the machinery required by AFHQ to assist it in conducting foreign trade transactions throughout the Mediterranean Theatre. AFHQ, G-5, is not a commercial organization and is not staffed to handle the business details of foreign trade transactions. At present G-5 is using the UKCC in conducting trade between Italy and French North Africa and between Italy and the Mideast, but G-5 has no agreement with the UKCC other than an oral understanding. It is felt, with increased trade opportunities throughout the Mediterranean in prospect, that the time has come to formalize the situation and to bring in the USCC as well as the UKCC. Such an organization would be of great assistance in handling the external work connected with the development of Italy's foreign trade. Together with the Ministry of Commerce proposed above it could relieve the military personnel of the ACC of attending to many of the business details connected with the making of exports and imports. The recommendation is made that steps be taken to determine the views of Washington and London on the desirability and means of utilizing the Corporations for these purposes.

3. The principles by which the ACC should be guided in exercising supervision and control" over the resuscitation of Italian foreign trade are discussed in the Memorandum attached as Annex C. It is suggested that the time has now come when the ACC should adopt a more positive attitude towards Italy's foreign trade, and four recommendations are put forward. First, as a short-term measure, it is proposed that the Italian Ministry of Commerce prepare for submission through channels to Washington, London and possibly the CFLM, a list

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of goods that could be produced for export, with slight rehabilitation and with little or no imported supplies. Second, in order to provide information on which to base rehabilitation plans now under consideration by ACC, it is suggested that the ACC, in co-operation with the Italian Government, develop a scheduled program of industries which should be rehabilitated or developed for export. Third, in order to provide a basis for the preparation of such a program, it is suggested that steps be taken to obtain information on the plans being formulated in Washington and London regarding the conditions of European economic rehabilitation and foreign trade, so that account may be taken of these plans by the ACC in formulating policies and programs for Italy. Finally, it is recommended, in order to fix the direction of its foreign trade policies and the conditions under which an important part of its foreign trade will take place, that the Italian Government approach the American and British Governments as soon as practicable with the request that conversations be initiated looking to the conclusion of commercial agreements.

II

"That principles should be adopted in the fixing of the prices of goods exchanged between Italy and countries other than the US, UK and French North Africa, and in what manner the instructions contained in T.M. 165 should be elaborated to cover such trade".

The price policy laid down by the CCS in T.M. 165 is discussed in the memorandum attached as Annex D. It is pointed out that while this policy may have been adequate when it was first formulated seven months ago to cover the small amount of trade then beginning with the US and the UK, it has a number of disadvantages and, in particular, it is not a satisfactory policy for the pricing of Italian exports to other countries. It is therefore suggested that a new formula be adopted, to govern the prices to be paid in the importing countries for Italian goods, which, following the same principles as the present formula, would be less rigid and hence easier to operate under. It is proposed that the new formula state (a) that in general the maximum possible amount should be obtained for Italian exports, (b) that exports should not be made at a loss, (c) that the world price should be paid when it can be determined, and (d) that when a world price cannot be determined, but when goods can be sold abroad above their purchase price in Italy plus costs they should be sold abroad. The difference between this formula and the present one is that this formula would permit goods to be offered or sold abroad on the ordinary commercial basis of costs plus profit, unless it were plainly possible to obtain more because of the existence of a higher world price or a higher market price on the

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III

"What principles should be adopted in the fixing of customs duties on goods imported into Italy (other than goods imported directly by the Allied Military authorities for the relief and rehabilitation of Italy) - in particular what level of revenue duties would be appropriate in the interests of Italian state revenues and whether protective or discriminatory duties should be encouraged".

This subject is discussed in the memorandum attached as Annex E. While in fact they have been levied in only a few instances, customs duties are still technically in force but their collection will shortly be legally suspended. During the period of suspension it is felt that the Italian Government should study its tariff and related matters with a view to making preparation to regulate the trade which may be expected as soon as Italy has land frontiers with other countries. The ACC is at present unable to provide the Italian Government with guidance in these matters for none has been received from Washington and London. The following recommendations are put forward: (a) that the proposal be made to the CCS that a civilian advisor, or American and British civilian advisors, on commercial policy be sent to Italy to be attached to the

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staff of the ACC for the purpose of working with the Italian Government on the revision of its tariff and on preparations for the renegotiation of its international commercial and financial agreements; (b) that enquiry be made to determine what progress has been made at London, by the European Advisory Commission or otherwise, in the formulation of economic and commercial policies for other European countries, so that the ACC may be able to coordinate its work with what is being done in London; and (c) that the US and UK Governments be approached to ascertain what principles the ACC should follow in guiding the Italian Government with regard to these matters.

The three subjects referred to G-5 for study by the Economic Sub-Committee, taken together, comprise a large part of the problem of Italy's foreign trade. In the recommendations which it is putting forward in this report G-5 is suggesting certain of the elements of a unified program for the development of both organization and policy in this most important field.

Our first task has been to keep Liberated Italy alive and as productive as possible so that it might provide a useful base for continuing operations. As the war draws to an end, however, it would seem that attention might advantageously be turned to the problem of how we may be able to bring relief to an end and get out.

Foreign trade is the core of this problem. Cotton, wheat, coal, oils, steel, copper and many other foodstuffs and raw materials, as well as semi-manufactured and manufactured goods, must always be imported to keep Italy's economy operating and its people fed. There is nothing unusual in this situation; from time immemorial the nation has been heavily dependent on imports which have been paid for by the tourist business and by exports. Italy must export to live.

Unless Italy can export, relief will be needed indefinitely. Food and raw materials will always have to come from the United States and the British Empire; such imports cannot stop. But by helping Italy to rehabilitate its export business and to reopen its foreign markets we can gradually place the country in a position where it can pay for these imports instead of having them supplied as at present. In other words the way to bring the Italian relief burden of the United States and the British Empire to an end is to rehabilitate not only the production of these goods now being imported, but also the host of industries and handicraft businesses which could produce for export.

Possibly it may be felt that these thoughts go beyond the interests of the Secretary in Italy's economic problem and the related problems which the US and the UK face in getting out of Italy. It may therefore be useful to point out that several of the recommendations made in this Report provide for the trans-

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Possibly it may be felt that these thoughts go beyond the interests of the territory in Italy's economic problem and the related problems which the US and the UK face in getting out of Italy. It may therefore be useful to point out that several of the recommendations made in this Report provide for the transfer of much of the detail commercial work of conducting imports and exports from military to civilian hands and are a step in the direction of transferring responsibility to US and UK civilian agencies. Thus they are in line with directives received by the Theatre.

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ANNEX A

SUBJECT : A Foreign trade organisation in Italy.

TO : Assistant Chief of Staff, G-5.

Existing Organisation in Italy.

NO Italian organisation for foreign trade is functioning at present although local Chambers of Commerce have given some assistance from time to time. The foreign trade that has taken place, and such rehabilitation of domestic production for export as there has been, have been the work of the ACC. For this work the ACC possesses the following organisation and personnel :

(a) The Foreign Trade Section of the Commerce Sub-Commission at HQ, ACC, which now consists of only two officers although at times it has had several; (b) officers in the field of whom there are at present but three; and (c) three or four Italians who are employed as inspectors and for other work in connection with purchasing and exporting.

Certain of the civilian experts attached to ACC, such as those sent out by the Ministries of Supply and Food for hemp, silk and food products, purchase or prepare goods for export, but they do not form part of the foreign trade organisation.

This group even when it was somewhat better staffed, was barely able to take care of the small volume of foreign trade which Southern Italy, Sicily and Sardinia have had up to now. It will be quite inadequate to meet the increasing needs of the coming months.

Existing Procedures for Conducting Italian Foreign Trade.

All goods for export are purchased by the Allied Control Commission which also supervises their packing and transport to ship-side, paying all charges in lire. All non-military imports are brought in by the ACC and are sold to the users for lire. Other parts of the procedure differ according to the country concerned :

Trade with the United States. G-5 makes the arrangements for exports from Italy to the US with AGMAR, obtaining the necessary information from the ACC, and sends AGMAR's instructions to the ACC. The ACC arranges shipping through the local WSA representatives. Goods are generally consigned to the USCC, sometimes for the CCIC, sometimes for FEA. There have as yet been no imports

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Trade with the United States. G-5 makes the arrangements for exports from Italy to the US with AGWAR, obtaining the necessary information from the ACC, and sends AGWAR's instructions to the ACC. The ACC arranges shipping through the local WSA representatives. Goods are generally consigned to the USCC, sometimes for the CCAC, sometimes for FEK. There have as yet been no imports into Italy from the US other than military supplies.

Trade with the United Kingdom. As in the case of the US allocations come to G-5 from the CCAC through AGWAR, but shipping instructions generally come from Troopers. The ACC arranges shipping through the local MWT representatives. Goods are consigned either to the Ministry of Supply or the Ministry of Food, but are generally received in England through the UKCC.

Trade with French North Africa. Both exports from Italy to French North Africa and imports into Italy from French North Africa are arranged between the CFLN and AFHQ under an agreement reached in May between the Supreme Allied Commander and the Committee. The Supreme Allied Commander has designated G-5 to act for AFHQ, and G-5 informally is using the UKCC with the co-operation of the USCC for the work. Requests for Italian goods come from the CFLN to G-5 through the UKCC. G-5 then enquires from the ACC whether the desired goods are available for export from Italy. If they are, G-5 obtains authority for export from the CCAC through AGWAR, if an allocation has not already been made. When the authority is obtained G-5 places a firm order with the ACC. G-5 usually bids for the shipping but in some cases the UKCC arranges for shipping through the French. Goods are consigned to the governmental economic body of the area concerned (Morocco, Algeria, Tunisia or Corsica) for the account of the CFLN. Shipping documents, payment and the various other business aspects of the transaction are taken care of by the UKCC. A corresponding procedure is followed for imports into Italy from French North Africa.

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Trade with the USSR. No procedure has yet been worked out, and no trade has yet taken place, although certain Italian seeds have been allocated to the USSR by the CCAC.

Trade with other Countries. G-5 has used the UKCC also for the few transactions which have taken place, or have been under consideration, between Italy and the Mideast. This is the only area other than those named above, with which Italy has traded thus far.

It will be observed that all of the work in connection with Italy's foreign trade up to the present has been done by AFHQ and the ACC (including the civilians from the Ministry of Supply and the Ministry of Food who have been attached to the ACC), with the exception of the assistance which the UKCC with the co-operation of the USCC has rendered in North Africa.

In order to provide a broader and more appropriate organization to deal with this important segment of Italian economic life it is proposed, below, that a body be created by the Italian Government to perform certain foreign trade functions within Italy and, in the following memorandum, that the UKCC and the USCC be used jointly to perform certain external functions.

Proposed Organization in Italy.

The ACC has requested AFHQ for authorization to recommend to the Italian Government that it create a Ministry of Commerce (or Ministry of Supply) to have charge of imports and exports, and of foreign exchange transactions resulting therefrom. Among other sub-divisions, the proposed ministry would include an Import Department and an Export Department. As this question is being submitted to the Economic Sub-Committee in a separate memorandum it will not be discussed further here, other than to list below the possible functions of the Export Department of the proposed ministry in more detail than they are described in the memorandum.

Proposed Functions of the Export Department.

It is contemplated that the Export Department of the proposed Ministry would perform, inter alia, the following functions, under the supervision of the ACC:

- a. Make investigations and reports (or have them made by some other appropriate ministry) regarding export products, in response to enquiries received from abroad through the Corporations on the ACC.
- b. Make independent investigations (or have them made) regarding products that might be procured for export, and industries and handicrafts that might advance

jointly to perform certain external functions.

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Proposed Functions of the Export Department.

It is contemplated that the Export Department of the proposed Ministry would perform, inter alia, the following functions, under the supervision of the ACC:

- a. Make investigations and reports (or have them made by some other appropriate ministry) regarding export products, in response to enquiries received from abroad through the Corporations on the ACC.
- b. Make independent investigations (or have them made) regarding products that might be procured for export, and industries and handicrafts that might advantageously be rehabilitated for export.

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c. On receipt of instructions from the Corporations, purchase goods for export, using Italian Government funds and not those of AFHQ as is now done. Some purchases for export might be made by the Corporations as principals, and some by them as agents for others such as the Ministry of Supply.

- d. Agree the purchase price, subject to approval by the Corporations.
- e. Make arrangements for packing, including, when necessary, the domestic procurement of the packing material.
- f. Make all necessary inspections to insure that the goods are of the proper quality and are properly packed.
- g. Make arrangements for transporting goods to shipside and for warehousing, obtaining facilities where necessary from the ACC.
- h. Keep the necessary records and accounts, and insure the proper preparations and delivery of the necessary documents.

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The Economic Sub-Committee is requested to take note of the fact that the proposal of the ACC to create a Ministry of Commerce results in part from the directive given by the Committee at its first meeting and that the Import and Export Departments of the ministry would constitute an important part of the "machinery which should be established under the ACC to supervise and control the resuscitation of Italian foreign trade".

(sgd) CHARLES F. DARLINGTON

Lt. Comdr. USNR.
Economic Advisor, G-5.

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ANNEX B.

SUBJECT : Appointment of the United Kingdom Commercial Corporation and the United States Commercial Company to act, jointly, for AFHQ and the ACC in handling Foreign Trade Transactions.

TO : Assistant Chief of Staff, G-5.

It will be apparent from the preceding memorandum that numerous currents of trade are developing in the Mediterranean Theatre of Operations and that the UKCC, with the co-operation of the USCC, is already playing an important role in this commerce. In addition to its services with Italy's trade the UKCC has also acted in certain transactions between French North Africa and the Mideast. Plans have not yet been worked out as to how the trade of Southern France and the Balkans is to be taken care of. Soon after liberation some goods from these areas will doubtless be wanted both in the US and the UK, and both areas will need to trade with Italy and possibly also other Mediterranean countries. Presumably AFHQ will also wish to use the Corporations to relieve it of some of the commercial work involved in this trade.

AFHQ at present has no agreement with the UKCC other than a verbal understanding. It is felt that this de facto situation should be placed on a more formal basis and that arrangements should be made which would give to both the UKCC and the USCC equal opportunity to participate in the handling of import and export transactions. The two corporations have acted jointly in several countries: In Spain, Portugal and Turkey the UKCC acts for the USCC under an agency agreement. If they were appointed, jointly, to be the organizations to handle foreign trade for AFHQ, it is contemplated that they would make some arrangement between themselves under which AFHQ would have only one body to deal with, which might be the UKCC possibly with the addition of some USCC personnel.

AFHQ is not a commercial organization and should not be in a position where it must through its own mechanisms carry on an extensive import and export business. With trade possibilities within the Theatre increasing, it is important that AFHQ should have some qualified agency to which to turnover work in the field. Imports and exports involve a number of business transactions which it is not G-5's function to perform and which G-5, with but one officer assigned to this work, is in no position to perform.

2963 While the need of AFHQ for a duly appointed body to handle foreign trade

will need to trade with Italy and possibly other countries. Presumably AFHQ will also wish to use the Corporations to relieve it of some of the commercial work involved in this trade.

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2943 While the need of AFHQ for a duly appointed body to handle foreign trade is the immediate cause of this Memorandum, the problem at issue has a broader aspect, namely, the return of foreign trade from a war to a peace basis. Four stages may be distinguished in the progression from one stage to the other:

- a. At the outset all imports and exports are made by the military authorities, i.e. in the case of Italy by AMG and ACC, through AFHQ.
- b. The second stage, and the first step away from this purely military and governmental condition, might be the arranging of exports (with the possible exception of a few commodities which the US and the UK Governments might prefer to handle through other governmental channels), and the importation of non-military supplies, through the mechanisms provided by the UKCC and the USCC with the military and the governments confining themselves to laying down the policies which the Corporations should follow.
- c. The third stage would be trading between individual private interests under license. In general, this step would not be possible until (i) private communication, (ii) private shipping, and (iii) private financing arrangements became available.
- d. The final stage in the de-control of private trade would be unlicensed trading between individual private interests subject only to such general customs quantitative and exchange controls as might be imposed.

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For eight months Italy's foreign trade has been conducted under the first of these conditions. It is felt that the time may now have come when it is not only possible, but desirable, to proceed to the second stage. With a Ministry of Commerce set up to distribute imports and procure exports within Italy, and with the Corporations appointed by AFHQ to handle buying and selling abroad, the necessary machinery would be at hand to enter the second stage. All that would be required would be a redistribution of functions as follows :

AFHQ, G-5.

Function: policy control. As a military headquarters AFHQ should limit its functions in the foreign trade field to policy control and should not itself have to conduct commercial transactions.

ACC.

Function: Policy control. As a military organisation supervising the execution of the Italian armistice terms, ACC like AFHQ should divest itself of commercial activities in the foreign trade field. The American and British Governments would be free to deal directly with the ACC regarding any goods to be exported from Italy or imported into Italy, if they so wished, but would turn over the commercial work and the accounting connected with the transaction to the Corporations when the policy had been decided. The duties of the ACC should be to :

- a. Supervise the work of the Italian Ministry of Commerce and the Corporations.
- b. Approve export programs and bring export possibilities to the attention of the Corporations and authorize the issue of export license.
- c. Inform the Corporations of goods (other than military supplies) to be imported.
- d. Provide, through AFA, the funds to pay for the purchase of goods to be exported (until the Italian Government provides its own funds through the Ministry of Commerce), and receive the proceeds of sale of goods imported.

The Corporations.

Function: to handle the external work of foreign trade. As commercial organizations of the American and British Governments operating under the ACC,

imported from Italy or imported into Italy, as they so wished, but would turn over the commercial work and the accounting connected with the transaction to the Corporations when the policy had been decided. The duties of the ACC should be to :

- a. Supervise the work of the Italian Ministry of Commerce and the Corporations.
- b. Approve export programs and bring export possibilities to the attention of the Corporations and authorize the issue of export license.
- c. Inform the Corporations of goods (other than military supplies) to be imported.
- d. Provide, through AFA, the funds to pay for the purchase of goods to be exported (until the Italian Government provides its own funds through the Ministry of Commerce), and receive the proceeds of sale of goods imported.

The Corporations.

Function: to handle the external work of foreign trade. As commercial organizations of the American and British Governments operating under the ACC, the Corporations' duties might include the following :

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- a. Obtain offers of goods for export from the Italian Ministry of Commerce or other exporting sources in Italy, and transmit these offers to the US, the UK, and other possible buyers.
- b. Represent buyers in the US, the UK and other countries, in order to find, or encourage the production of, goods in Italy which can be sold in those countries.
- c. Buy goods ordered, either from the Italian Ministry of Commerce or directly from suppliers, paying therefore with lire furnished by ACC (AFA) for the account of the Italian Government, unless payment were made directly by the Government.
- d. Make arrangements for the sale of Italian goods in the US, the UK, and other countries.
- e. Perform all duties of a commercial nature in connection with imports into Italy of relief and rehabilitation supplies which may be delegated to them by the civilian agencies of the US and UK Governments, as those agencies take over supply responsibility from the military.

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- f. Procure imports wanted in Italy from countries other than the US and the UK, operating under the trade and payments arrangements made by ACC, AFHQ or the governments.
- g. Obtain authorization, whenever necessary, for import or export transactions acting through whatever channels might be prescribed.
- h. Prepare and make proper disposition of the necessary documents in connection with each transaction, and keep such records as may be prescribed.

The Italian Ministry of Commerce.

Function: to handle the internal work of foreign trade. This organization would in general perform all services within Italy connected with obtaining information on export and import opportunities and arranging export and import transactions.

The rules laid down regarding channels of communication would have an important effect on the success these organizations could achieve, and the extent and rapidity with which they could develop their work. While at the outset all communications doubtless would have to pass through the established military channels, it is felt that greater freedom should be allowed as soon as this is practicable. As long as AFHQ, G-5, and the ACC approve the policy, it should not after a given time be necessary for communications on individual items to be passed through them. The Corporations would operate within the framework of policies and on the basis of directives given them by AFHQ and the ACC, but they would in general communicate directly with their head offices and other branches. For example, the USCC in the US would communicate directly with the Corporations in Italy, the UKCC would do likewise, and the Corporations in Italy would communicate directly with the Corporations in Algiers (for trade with North Africa) or with the Corporations in Cairo (for trade with the Mideast). The Corporations in time should also be able to communicate with the Italian organization without having to pass their communications through the ACC.

For both internal transport and shipping the Corporations and the Ministry of Commerce would have to make their arrangements through existing channels until these are changed.

It is felt that our policy in Italy should be to move to the second stage, described above, as soon as the necessary arrangements can be made. Other areas in the Theatre would continue to be treated in the ways most appropriate

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and rapidity with which they could develop their work. While at the outset all communications doubtless would have to pass through the established military channels, it is felt that greater freedom should be allowed as soon as this is practicable. As long as AFHQ, G-5, and the ACC approve the policy, it should not after a given time be necessary for communications on individual items to be passed through them. The Corporations would operate within the framework of policies and on the basis of directives given them by AFHQ and the ACC, but they would in general communicate directly with their head offices and other branches. For example, the USCC in the US would communicate directly with the Corporations in Italy, the UKCC would do likewise, and the Corporations in Italy would communicate directly with the Corporations in Algiers (for trade with North Africa) or with the Corporations in Cairo (for trade with the Mideast). The Corporations in time should also be able to communicate with the Italian organization without having to pass their communications through the ACC.

For both internal transport and shipping the Corporations and the Ministry of Commerce would have to make their arrangements through existing channels until these are changed.

It is felt that our policy in Italy should be to move to the second stage, described above, as soon as the necessary arrangements can be made. Other areas in the Theatre would continue to be treated in the ways most appropriate to each: the functioning of NAJFH in French North Africa would not be disturbed as it was in Italy by the military alone.

The division of responsibilities under the proposed plan in Italy might be varied from that suggested, but the objectives should be on the one hand to relieve AFHQ and the ACC of the need for carrying out commercial transactions, and on the other hand to create an organization appropriate for this work and able energetically to develop Italy's foreign trade.

Accordingly the following recommendation is made for the consideration of the Economic Sub-Committee:

That steps be taken by G-5 to determine the views of the appropriate authorities in Washington and London on the desirability of utilizing the UKCC and the USCC in Italy in connection with the development of foreign trade organization and procedures as outlined above.

(sgd) CHARLES F. DARLINGTON.

Lt. Comdr. USNR.
Economic Advisers, G-5.

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ANNEX C.

SUBJECT: Principles by which the ACC should be guided in exercising supervision and control over the resuscitation of Italian Foreign Trade.

TO : Assistant Chief of Staff, G-5.

Foreign trade up to the present has played a moderately important part in the work of the ACC. A variety of items have been exported, amounting in total to about 50,000 tons*, but commercial imports thus far have been negligible. The initiative for exports has come from two sources. On the one hand, goods have been asked for by Washington, London and the CPIN (after allocation by the CCS*); on the other hand, surpluses available for export have been advised by the ACC through G-5 to the CCS, and in certain cases orders have subsequently been received for shipments to the U.S. or the U.K.

Apart from procuring goods ordered and offering obvious surpluses, the ACC has not made any particular effort to develop Italy's exports. The time, until now, had not come to do so. Shipping and port space could not be allocated for the carriage of any volume of goods not essential to the war effort; ACC lacked the personnel; and the Italian Government was not able to share responsibility for this work.

The time is now approaching when a broader view of Italy's foreign trade problem would appear to be called for, and a more positive attitude adopted. The Italian Government, in possession of its ministerial facilities in Rome, is now in a position to take an active part in export development and is anxious to do so. The impending infiltration of civilian personnel into ACC and the possible use of the JKCC and the USCC may be expected to provide more expert assistance in the foreign trade field. And steps are now being taken, or are under consideration, by ACC in the field of industrial rehabilitation which require the formulation of foreign trade policies and programs.

Furthermore, the nation's interest requires that it actively search for, and pursue, policies most conducive to the sound expansion of its exports. The ACC as the body controlling the Italian Government, cannot properly display a negative attitude in this matter. Nor is it in the interest of the U.S. and the U.K. that it should follow a negative policy, for every export that Italy can make will be a step toward ending the relief burden and will contribute to the settlement of Italy's accruing obligations.

The following four recommendations are put forward for the consideration of the Economic Sub-Committee:

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2910 The following four recommendations are put forward for the consideration of the Economic Sub-Committee :-

a. It is felt that the ACC in the interest of Italy and the Allies, should be directed actively to develop export business in any goods that can be profitably marketed abroad. When the Italian Government shall have created a government foreign trade organization (see Annex A), it will possess a body more extensive than required for the present limited export program. It is recommended that this organization should be asked as one of its first duties to draw up a list of items, with f.o.b. prices, which could be made available for export in the near future and whose production would require little rehabilitation and little or no imported supplies. This list would be submitted to Washington and London, and possibly also to the CFLN. Many of the goods doubtless would be civilian consumption articles, but some goods of this type are being currently exported from Italy and apparently are being successfully distributed to the trades in question in the U.S. and the U.K. by the USCC and the UKCC.

*The main exports from Liberated Italy, practically all of which have been made during the current year, have been 21,000 tons of lemons, 350 tons of lemon juice, 5,000 tons of nuts, 500 tons of ergols and citric acid, 1,500 tons of hemp and hemp products, 19,000 tons of sulphur. 5 1/2 tons of silk, 225 tons of essential oils, 150 tons of pumice, 400 tons of sumac, and 274 tons of wine.

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b. The Anti-Inflation Committee has recommended the "development of these production, industrial and transport facilities which through not directly benefiting the war effort, indirectly do so by increasing production of essential consumer goods, checking inflation and contributing to the economic and political stability of the population in rear of fighting forces". In a country such as Italy where so large a part of the economy is based on foreign trade it is impossible adequately to carry out the task of rehabilitation without reference to the many industries and handicrafts which traditionally have manufactured for export. Accordingly, it is recommended that AFHQ ask ACC to prepare a study in conjunction with the appropriate departments of the Italian Government, providing a scheduled program of industries which should be rehabilitated or developed for export. (Incidentally, the ACC now has on its staff an officer with suitable experience to make such a study). A study of this nature would also seem necessary in connection with the plan that has just been submitted to the Italian Government for the establishment of an Industry Advisory Board and industry committees. The letter on this matter from ACC to the Minister stated: "It is suggested, therefore, that first consideration should be given to the following four categories of industrial activity: ----- Thirdly, those industries whose products have traditionally been exportable or whose products under prevailing and post-war conditions are likely to find a ready sale in world markets".

c. In order for useful studies to be made as suggested above, it will be necessary to form some estimate as to the conditions of European economic reconstruction and the general framework in which foreign trade will take place. Active consideration has been given to these problems by the governments in Washington and London for some time, and doubtless they are among the subjects that are being or will be studied by the European Advisory Commission, but we have little information in this Theatre as to what is being done or planned. It is recommended that steps be taken to obtain information on the plans being formulated in Washington and London regarding the conditions of European economic rehabilitation and foreign trade, in order that account may be taken of these plans by the ACC in formulating policies and programs for Italy.

d. The progress that can be made by Italy in the field of economic rehabilitation will be limited, and effective planning will be difficult, so long as the basis of its commercial relations with the world's two largest commercial powers remains unsettled and indeterminate. It is recommended, therefore, that the Italian Government take the initiative to fix the direction of its own foreign trade policies, and the conditions under which an important part of its foreign trade will take place, by approaching the American and British Governments, as soon as practicable, with the request that conversations be initiated looking to the conclusion of commercial agreements. While it might be considered undesirable for such agreements to be concluded prior to a peace treaty, it should not be impossible for conversations and negotiations to precede that event. It is difficult to perceive, other than through such conversations begun at the earliest practicable date, where the Italian Government

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(sgd) CHARLES F. DARLINGTON

Lt. Comdr. USNR.
Economic Advisor, C-5.

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ANNEX D

SUBJECT : Principles to be adopted in fixing the prices of goods exchanged between Italy and countries other than the U.S. and the U.K.

TO : Assistant Chief of Staff, G-5.

The price policy to be followed in Italy was laid down by the Combined Chiefs of Staff in TAM 165, the policy having been previously developed by ACC and G-5 principally at the price conference which took place in Algiers early in January.

With regard to the prices at which goods for export are to be purchased in Italy TAM 165 states: "Italian producers will be paid prices in lire estimated to cover production costs plus a fair margin of profit except when lower prices prevail in the open market, such payments to be made by AMG/ACC on behalf of the Italian Government as under existing procedures". It is felt that this is the correct policy and that it should be continued for goods purchased for export to any country.

With regard to the prices to be paid by the receiving country TAM 165 provides one general formula and an alternative formula. The general formula is that "all goods exported from Italy will be sold...at prices which will be related as closely as prices permit to f.o.b. prices of comparable goods in world markets", the buying country to pay all freight and other charges in non-lire currency and to be permitted to carry its own insurance. The alternative formula is stated as follows: "In the event that a price-based on f.o.b. prices in world markets cannot readily be determined for a particular commodity or that a price so determined is inapplicable under any particular circumstances, the inebredness of the buying country will be an amount equivalent to the proceeds of the sale of the exports at prices prevailing in the market of sale less freight and any other charges incurred by it in non-lire currency".

The purpose of the formula, and its alternate, is to get for the Italian Government the maximum amount of foreign exchange possible for exports. It is presumed that if Italian exporters were allowed to make their own arrangements, they would obtain prices based on world prices; as they are unable to do this the ACC (or the Allies) as the custodian of the Italian Government's foreign exchange position, is morally obligated to obtain a similar price or, in other words, to obtain the most it can for Italy's exports. With this point of view there can be no quarrel, provided it can be made to work effectively.

The policy, however fair in theory, presents several difficulties of a practical sort which appear likely to create obstacles to exports as trade opportunities expand. These difficulties are:

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The purpose of the formula, and its alternative, is to get for the Italian Government the maximum amount of foreign exchange possible for exports. It is presumed that if Italian exporters were allowed to make their own arrangements, they would obtain prices based on world prices, as they are unable to do this the ACC (or the Allies), as the custodian of the Italian Government's foreign exchange position, is morally obligated to obtain a similar price or, in other words, to obtain the most it can for Italy's exports. With this point of view there can be no quarrel, provided it can be made to work effectively.

The policy, however fair in theory, presents several difficulties of a practical sort which appear likely to create obstacles to exports as trade opportunities expand. These difficulties are:

2938 An agency must be found to fix the price. When the price formula was worked out during the winter, the principal concern was to find a means of pricing exports to the US and the UK as these were the only countries to which exports were being made. The question as to what body should determine the price has created no difficulty with those countries. In the case of exports to French North Africa, G-5 has asked the UKCC as its agent to set prices and thus far, the goods exported having been very few, the CFLM has accepted the UKCC's determinations, but this arrangement seems an unnatural one and difficulties may be anticipated when trade increases.

In the cases of exports to all countries other than the US, the UK, the USSR and the CFLM, TAM 165 states "It is advisable that the transaction be carried on through the US or the UK by means of their civilian agencies and instrumentalities". It is not specifically stated who should determine prices, but the impression is given that it is the intention of the CCS that this function should be performed by these civilian agencies and instrumentalities. Does this mean for instance, in the case of an export of hemp rope from Italy to Mideast, that the UKCC (or the corporations jointly) should determine the price? If so, should the determination be made by UKCC, Cairo, which is at the

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seat of the buyer, or by UKCC North Africa, which is at the seat of G-5? More difficult still will be the situation when trade takes place between Italy and Switzerland or between Italy and Yugoslavia. Will some agency of the US or the UK have to be named to determine the price at which these exports are made?

b. With the exports that have taken place to the US, the UK and the CFLN, price has not had to be agreed before the transaction was made. This situation is not likely to continue with French North Africa or with other countries. Buyers will want to know what they must pay before they will place their orders. Under the present policy, when a potential buyer enquires what will be the price of a certain produce, the matter must be referred to an agency of the US or the UK to determine the world price before the order is placed. This procedure is obviously cumbersome and ill-adapted for any volume of exports.

c. The world price under existing conditions is not a fixed thing and is in practice often difficult to determine. Even in the case of so important a world commodity as sulphur this is true. The CFLN following the determination of the UKCC, is now paying for sulphur f.o.b. Sicilian ports the price f.o.b. New York which includes rail charges from the Gulf to New York. Normally sulphur would not be mailed to New York, and so, while this may be the price the CFLN would have to pay were they to take sulphur at present from the US, it is open to question as to the basis for the price to be paid in Tunis for sulphur from Sicily less than 200 miles away. With respect to smaller products not enjoying a world market, difficulties increase. What is the world price, to provide the basis for the price the CFLN should pay for 100 kilos of leek seed exported from Apulia to Corsica?

d. The alternative formula is equally unsuitable in the case of the general run of Italian exports to countries other than the US and the UK. It is not feasible, when a buying country enquires the price of a produce from Italy, for G-5 or its agent to reply that the price is to be whatever the buying government may be able to dispose of the goods for, less freight, in its own market.

e. Finally, both formulas given in TMI 165 have the disadvantage that under them neither the ACC nor the Italian Government knew what it is getting for exports. Two safeguards are provided: one, that goods should not in general be exported at a loss, and two, that an agency of the CCS will review prices. It is felt, however, despite these safeguards that this situation will not be satisfactory either for the Italian Government or the ACC as exports increase and more countries become involved.

The following recommendations are made for the consideration of the Economic Sub-Committee:

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The following recommendations are made for the consideration of the Economic Sub-Committee:

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- a. That the prices to be paid by the importing countries for Italian goods be determined by the Corporations (see Annex B), within the following policy :-
 - i. In general, the maximum amount should be obtained for Italian exports.
 - ii. Where it is known or can reasonably be ascertained that the price which can be obtained for Italian goods in a foreign market is less than the purchase price in Italy plus transportation and other costs, such goods should not in general be exported.
 - iii. Where it is possible to determine something in the nature of a world price, the price of sale should be based on such world price, subject to the limitation expressed in ii above.
 - iv. Where it is not possible to determine a world price, but where the goods can be marketed in the importing country at a price substantially higher than the purchase price in Italy plus costs, the price of sale should be based on such market price.

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- b. That the Corporations be authorized to offer Italian goods for sale abroad, purchase Italian goods for disposal abroad, sell Italian goods to buyers abroad, and act as agent in these transactions, at prices determined within the limits of, and in accordance with, this policy.
- c. That if the Economic Sub-Committee approves the suggested revision of the price formula (which under the terms of reference given by the Committee is proposed only for "countries other than the US, UK and French North Africa"), it should give consideration to the possibility of recommending to the CCS that the new formula be applied to Italian exports to all countries.

(sgd) CHARLES F. DARLINGTON,

Lt. Comdr. USNR.
Economic Advisor, G-5.

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ANNEX E.

SUBJECT : Principles to be adopted in the fixing of customs duties on goods imported into Italy.

To : Assistant Chief of Staff, G-5.

The Italian tariff is at present in force and, while most supplies provided by the Allies have in fact been imported free of duty, it is reported that duties have been collected at certain ports on certain goods. At present an executive memorandum is under preparation which will suspend the collection of customs import and export duties, including licenstaxes, on all goods other than petroleum, matches and coal. Petroleum products have been sold by ACC to civilian users for the account of the Italian Government at a price which includes the duty, but these are the only goods in respect of which this action has been taken. Matches are a state monopoly, and coal a state distribution monopoly; on these two products the governments' accounting system seems to necessitate the collection of the customs duties.

During the period while the general suspension of customs duties is in effect the Italian Government should study the entire situation with a view to preparing a new tariff. The existing tariff, it may be presumed, will be considered both by the Italian Government and the Allied Governments to need extensive revision. It reflects pre-war conditions, is based on Fascist principles, was one of the instruments for promoting economic autarchy, and is related to numerous commercial and financial agreements which will not be revived after the war.

The need for a new tariff is not as far distant as may appear at first sight. It is possible that before the end of the summer Italy may have land frontiers with France, Switzerland, Austria and Yugoslavia. As soon as that is the case there will inevitably be some exchange of goods with each of these countries. For instance, power is one of the most important of Italy's needs; much of the Italian generating equipment comes from Switzerland (Brown - Boveri); it would appear most desirable that mechanisms for trading with Switzerland should be prepared so that when the two countries again have a common frontier Italy can obtain Swiss goods. Between Italy and Yugoslavia it is reported that a fair amount of smuggling is already taking place. Unless smuggling is to become the general rule, this exchange must be regulated by the Italian Government through tariffs and other mechanisms, and ACC will have to supervise the policies and actions of the Italian Government in this regard.

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2935 The problem presented by Italy's commercial agreements with other countries closely related to that of the tariff. These agreements fall within the present terms of reference in that they largely determine the character of Italy's tariff, and fix many of its rates. Prior to the war Italy had built up a network of international agreements regulating trade and payments. The Italian Government soon must undertake the review of these agreements and must formulate the policies on which its future commercial relations are to be based. In this connection the ACC, it would seem, may be called on to take a position as to whether Italy in future should follow the policies of economic nationalism, balancing its trade bilaterally, forcing exports by exchange clearing devices, making special deals through compensation agreements, discriminating against one country, and favoring another, or whether an effort is to be made to integrate Italian economy with European and world economy, and to develop foreign trade on the basis of more liberal principles. It will be only too easy for the Italian Government in the difficult post-war conditions to take the former course.

At present the ACC is wholly without guidance on these matters, and AFHQ has been unable to provide it with guidance as it has received none from Washington or London.

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The following recommendations are made for the consideration of the Economic Sub-Committee.

- a. That the proposal be made to the CCS that a civilian adviser, or American and British civilian advisers, on commercial policy be sent to Italy to be attached to the staff of the ACC for the purpose of working with the Italian Government on the revision of its tariff and on preparations for the renegotiation of its international commercial and financial agreements.
- b. That enquiry be made to determine what progress has been achieved at London, by the European Advisory Commission or otherwise, to formulate economic and commercial policies for the Continent or for other European countries. The ACC must soon be given some idea of the future economic framework of Europe as a whole, within which Italy must be set. Possibly some guidance could be obtained in London.
- c. That APHQ approach the US and UK Governments through the CCS to ascertain what principles the ACC should follow in guiding the Italian Government with respect to the above matters.

(sgd) CHARLES F. DARLINGTON.

Lt. Comdr. USNR:
Economic Advisor, G-5.

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(sgd) CHARLES F. DARLINGTON.

Lt. Comdr. USNR.
Economic Advisor, G-5.

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ALLIED FORCE HEADQUARTERS

ESC (44) 6
2nd August 1944

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COPY NO 30

ECONOMIC SUB-COMMITTEE

REQUEST OF THE ACC FOR AUTHORIZATION TO
RECOMMEND TO THE ITALIAN GOVERNMENT THE
CREATION OF A MINISTRY OF COMMERCE (OR
MINISTRY OF SUPPLY).

Note by G-5.

By signal MC IN 11672 (ACCS 293) on 18 July 1944, the authorisation of AFHQ was "requested for recommendation to the Italian Government to form a Ministry of Supply which is urgently needed under existing wartime conditions". In subsequent discussions at the ACC the name Ministry of Commerce has been favoured, as only a part of the Ministry's functions would be concerned with supplies.

The proposal to create a Ministry of Commerce was originated by the Finance Sub-Commission of the ACC in order that there might be an appropriate agency of the Italian Government to accept financial responsibility for, and to exercise control over, imported supplies including foodstuffs. Up to the present time there has been no central Italian Government organisation capable of controlling and accounting for food distribution. All control and accounting relating to the distribution of imported foodstuffs, above provincial level, has therefore been carried out by ACC personnel. ACC policy is, however, that the Italian Government should assume central control of food distribution as soon as possible and that accountability and financial responsibility for imported foodstuffs should pass to the Italian Government at the port of entry.

To meet this need, the Under-Secretary of Agriculture and Forests, at a meeting with members of the Finance and Food Sub-Commissions, suggested the creation of the Ministry under consideration. The Under-Secretary's position was that in times of peace and free markets questions of food supply might well fall within the preview of a Ministry of Agriculture, but when it is necessary to control production and distribution and to budget for supplies it is highly desirable to have a separate Ministry charged with this function.

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In the course of subsequent discussions in the Economic Section the functions of the proposed ministry have been considerably extended beyond those suggested above. It is now envisaged that the ministry should have charge of imports and exports, and of foreign exchange transactions connected therewith, as well as control of prices, distribution and rationing, and certain functions in connection with requirements. A copy of an internal ACC memorandum is attached for the information of the interested Sub-Commissions and represents the latest stage reached in the ACC's thinking on the subject.

There appears to be general agreement in the ACC that a Ministry of Commerce (or Ministry of Supply) is needed, and no reason is perceived why AFHQ should not authorize the ACC to request the Government to create such a ministry. Of necessity, detailed consideration of the proposed ministry's functions cannot be carried much beyond the present stage until the views of the Italian Government are ascertained. The danger against which the ACC must guard, and of which it is aware, is the natural tendency to repress too

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many functions in the new ministry, thereby making it excessively powerful and giving it preponderant control over the nation's economic life. In particular, the Ministries of Industry and Agriculture, which have responsibility in the production field, should not be placed in a position where they can be dictated to by the Ministry of Commerce because it controls the distribution of what they produce. As these ministries may probably be relied upon to a large extent to protect themselves against this danger when the proposal to create the new ministry is under discussion, and as the matter has been discussed at the ACC by representatives of G-5, it is felt that an official word of caution from AFHQ at this time is not required.

Accordingly, it is recommended that the Economic Sub-Committee authorize the ACC to recommend to the Italian Government that there be formed a Ministry of Commerce, or Ministry of Supply, with functions substantially as outlined in ACC signal ACCS 293 of 13 July.

(Intd) C.M.S.

DISTRIBUTION

Chief of Staff
Chief Administrative Officer
Deputy Chief of Staff
U.S. Political Adviser
British Resident Minister
Assistant Chief of Staff, G-4 (A)
Assistant Chief of Staff, G-4 (B)
Assistant Chief of Staff, G-5
G-4 (Mov & Tn)
Log Plans (G-4)
Secretary General Staff
IS & PS
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 Deputy Chief of Staff
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 G-4 (Mov & Tn)
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 Secretary General Staff
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FUNCTIONS OF PROPOSED MINISTRY OF COMMERCE

1. The Ministry should have charge of imports, exports and of foreign exchange transactions in connection with imports and exports.

a. Imports: The Ministry will receive estimates of requirements for producers' goods from the Ministries of Industry and Agriculture, and will screen them. It will also calculate needs for imports of consumers' goods from its own estimates of requirements (see below, para 5) and estimates of production prepared by the Industry and Agriculture Ministries. The total import requirements will be trimmed of all but the highest priority requirements to bring the total within the limits of foreign exchange availabilities. The Ministry of Commerce will not, however, be responsible for the allocation of imported producers' goods as between the various industries which use them.

The Ministry will purchase imports from foreign sellers and will be responsible for their shipment to Italian ports, except so long as this responsibility is assumed by the Allies. After arrival at Italian ports, imported goods will be warehoused and transported by or under direction of the Ministry. As soon as it is in a position to do so, the Ministry will take charge of all goods imported by ACC for civilian use as soon as they are landed.

b. Exports: The Ministry will ascertain what foreign demand exists for goods which might be produced in Italy for export, and at what prices these can be sold. It will, at the same time ascertain from the Ministries of Industry and Agriculture what can be produced for export, in what quantities and at what cost. On this basis, the Ministry will draw up an export program, determining both quantities and prices to be exported.

The Ministry will purchase products for export from producers or dealers in Italy and resell to the foreign buyers. In certain cases this may involve merely a "wash sale" procedure. Wherever necessary, however, the Ministry should be prepared to handle the goods, including transportation and warehousing. During the early stages of its operations, the Ministry, will in all probability, be required to make all of its export sales to USCC and UKCC.

c. Foreign Exchange: The Ministry, as part of its functions of pro-

which use them.

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c. Foreign Exchange: The Ministry, as part of its functions of programming exports, will need to draw up a budget of foreign exchange transactions. It will need to contact the Ministry of Finance in order to ascertain what foreign exchange is available, on balance, from non-commercial transactions, to pay for an import balance of commodity trade.

The preceding description of functions presupposes a need for strict and complete government control of imports, exports and foreign exchange transactions. It is believed that this will be necessary for a year or more after the end of the war, in view of the extreme shortage of imported goods and of foreign exchange to buy them with. Foreign exchange and the goods that can be bought with foreign exchange, will have to be strictly allocated and rationed to those demands which have the highest priority from a national standpoint. With a return to more normal conditions, however, it is assumed that foreign trade will be turned back to private enterprise and that the controls will be relaxed.

2. Control of Prices and Distribution, and Rationing. It is contemplated that the Ministry of Commerce will be responsible for all price controls on consumers' goods, and for all controls of sale and distribution of consumers' goods, including rationing. Hence it will take over from the Ministry of Agriculture the offices, staffs and functions of the "Direzione Generale dell'Alimentazione" and the "Direzione Generale Tesseramenti e Prezzi". It will also take over those parts of the present Ministry of Industry, Commerce and Labor which have the corresponding functions.

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K-54

An alternative suggestion which has been made is that rationing, which is an unpopular function, should not constitute a political handicap to the proposed Ministry, and should, therefore, be handled by a separate office.

3. Requirements: The Ministry of Commerce will be concerned with consumers' goods and with exports. These are the two end-products of the entire productive process. Hence it is logical that the Ministry should set up a list of requirements for essential consumers goods and for exports which those Ministries which are concerned with production can use as a guide in establishing their production program.

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SECRET

18 JUL 1944

AFHQ RPTD AFHQ ADV RPTD HQ AAI

HQ ACC

S-293

17 JUL

SECRET

PRIORITY

ACTING CHIEF COMM.

YOUR AUTHORIZATION REQUESTED FOR RECOMMENDATION TO THE ITALIAN GOVERNMENT TO FORM A MINISTRY OF SUPPLY WHICH IS URGENTLY NEEDED UNDER EXISTING WARTIME CONDITIONS PD PAREN TO AFHQ FOR GEORGE FIVE RPTD AFHQ ADV RPTD HQ AAI FROM HQ ACC FROM STONE PERSONAL PAREN WE STRONGLY RECOMMEND IT TO BE A COORDINATE AUTHORITY ON ALL PHASES OF SUPPLY DASH DOMESTIC CMA IMPORT AND EXPORT PD IT SHOULD BE THE MEDIUM THRU WHICH THE ITALIAN GOVERNMENT WOULD ASSUME CENTRAL CONTROL OF FOOD DISTRIBUTION AS SOON AS POSSIBLE CMA AND SUBSEQUENTLY ASSUME CENTRAL CONTROL OF ALL IMPORTED SUPPLIES PD IT SHOULD BE THE MEDIUM FOR THE ACCOUNTABILITY AND FINANCIAL RESPONSIBILITY FOR IMPORTED FOODSTUFFS AS SOON AS POSSIBLE AND SUBSEQUENTLY FOR ALL IMPORTED SUPPLIES PD IT SHOULD BE THE MEDIUM FOR THE ABSORPTION AND REACTIVATION OF SEVERAL GOVERNMENTAL ORGANIZATIONS WHICH EXERCISED ECONOMIC CONTROLS UNDER THE FASCIST REGIME AND WHICH NOW HAVE NO FUNCTION PD MANY OF THEIR TRAINED STAFFS ~~AND~~ BOTH TECHNICAL AND ADMINISTRATIVE CMA ARE AVAILABLE AND BADLY NEEDED PD ALSO IT WOULD BRING INTO NEW MINISTRY RELATED FUNCTIONS NOW BEING INEFFICIENTLY HANDLED IN OTHER MINISTRIES PD IT SHOULD BE THE MEDIUM FOR THE ABSORPTION OF THE ITEM CHARLIE EASY PAREN ISTITUTO COMMERCIO ESTERO PAREN WITH ITS STAFF OF THREE HUNDRED

1

7/18/44

S-293
17 Jul 44

SECRET

MESSAGE NO. 293 To AFHQ for G-5 Rptd AFHQ Adv Rptd AAI, dated 17 July 44, cont'd:

TRADE EXPERTS FOR THE NECESSARY FIELD WORK IN DEVELOPING EXPORTS PD IT SHOULD BE THE MEDIUM FOR THE ESTABLISHMENT OF AN EFFECTIVE PRICE CONTROL AND RATIONING ADMINISTRATION PD IT SHOULD BE THE MEDIUM TO COORDINATE ALL OTHER MINISTRIES PLANS CMA PROGRAMS OF REQUIREMENTS OF CIVILIAN SUPPLIES FOR ESSENTIAL REHABILITATION FOR CURRENT NEEDS PD WE ARE IN COMPLETE ACCORD THAT THE FORMATION OF SUCH A MINISTRY WOULD CONTRIBUTE TO THE SOLUTION OF THE PROBLEM OF TRANSFERRING GREATER RESPONSIBILITY TO THE ITALIAN GOVERNMENT AND ITS ESTABLISHMENT SHOULD ENABLE US TO ASSUME MORE FULLY OUR SUPERVISORY ROLE WHICH IS OUR BASIC FUNCTION IN TRANSFERRED TERRITORY PD THE FORMATION OF THE MINISTRY WOULD GO FAR TOWARDS MEETING SEVERAL OF THE RECOMMENDATIONS OF THE ANTI HYPER INFLATION COMMITTEE THAT THE ITALIAN GOVERNMENT SHOULD MORE EFFECTIVELY CONTROL PRICES CMA RATIONING AND DISTRIBUTION PD THE PROPOSED NEW MINISTRY WILL NOT ACT AS A TRADING AGENCY EITHER IN DOMESTIC OR EXPORT FIELDS PD GRATEFUL FOR EARLY AUTHORIZATION

AUTHENTICATED:

MILBY W. STONE
 Captain, USNR
 Acting Chief Commissioner

998
DISTRIBUTION:

The Hon. Alexander Kirk
 Sir Noel Charles
 Political Section (For Advisory Council) (3 cys)
Economic Section

File (A)

To Secretary General.

Attached cable
is approved by the
Economic Section.

J Bruce Thompson
Major RA
18 JUL 44

1999

HQ ACC, APO 394
58 Sec Gen
Rec'd 13 Jul 1953
By DFE

HEADQUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SECTION
APO 394

JBT/ml

Tel 357

ES/7A

File (A)

16 July 1944

SUBJECT: Proposed Italian Ministry.
TO : Acting Chief Commissioner

1. Attached are copies of a proposed cable to AFHQ on the subject of setting up a new Ministry of Supply within the Italian Government.
2. It is requested that a discussion on this subject be included in the agenda of the Vice Presidents conference on 17 JUL 44.

[Signature]
A. G. ANTOLINI
Executive Director
Economic Section

Incl: copies of proposed cable to AFHQ.

I agree and strongly recommend adoption.
So do I. A. Frassetto, Asst Dir. Finance
So do I. John S. Todd, Col.
So do I. [Signature]

[Signature]

[Large signature] *File/xxx*

2927
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Q. M. C. Form 353 (Old No. 400)
Revised July 26, 1918

LIST OF PAPERS

File under No. 210 (4)
Commissioned Officers
& Civilian Officials

5-6718

SERIAL NUMBER	FROM-	DATE	TO-	SYNOPSIS
94) CC/P/142	SEEC MON	13 April	Col. Polite	Re: <u>Shattuck Montague</u>
95) F 36861 M 176	FDM CC	24 25	CC FDM	Re: Benson + Temperley
96) FAT 3770 3768 F 37074 WM 1078 1029	AG, ACC FDM FABLE	25 24 25 26	ACC	Re: Col. Kirk making trip to Stata Also: M 178 + F 39319
97) MGS 201 CC/0/232	AFHQ CC	5 26	Hq. ACC AFHQ	Re: Col. Laderchi
98) 0364 SD SPT M 179 0368	MMIA CC MMIA	27 27 28 28	ACC CC Gen. Browning CC	Gen. Browning: Will visit Naples on April 30 th
99) 20/6 CC/P/264	Col. Spafford CC	1 May 4	Col. Spafford Malta	Lt. Col. de Selis - may be able to use his notes see (4) Jenkins arriving there
100) MM/N 4305	SG	4		Major Bergen: Re his transfer to P.R.C.
101) PRB 30	Map. Follen	7 Apr 7 16	Lt. Stansfeld Brig. Luch CC	Middleton will report about May 10 th
102) M 177 F 35479	CC Fdm	28 30	Fdm CC	May Brighton will be liaison, O.S.S., etc
103) Hq. OSS, St.	Col. Carter	3 May	CC	Col. Polite: Promotion
104) -	Col. Polite Stone	10 April 5 May	CC Gen. Browning	Brig. Parkinson can be released
105) F 42725	Fdm	7	ACC	It is desired that should report on 20th
106) 20/12 CC/P/351	Col. Spafford CC	8 13	Col. Spafford	It is desired that should report on 20th
107) M 500 1	Hq. 8th Army	30 April	ACC	It is desired that should report on 20th
108) 20/14/355	WHABO	12 May	CC	Brig. Parkinson can be released for U.K. duties
109) 1/11/AS Main 4327	Lt. Stansfeld Luch	10 13	DFHQ	It is desired that should report on 20th
110) CC/P/296	CC	14	Gen. Browning	It is desired that should report on 20th
111) -	Capt. Stone	17	Col. Polite	It is desired that should report on 20th
112) DEC/150	"	20	RECMGS	It is desired that should report on 20th
113) 50/135	NATOUSAT	17		It is desired that should report on 20th
114) CC/P/341	CC	26	Col. Spafford	It is desired that should report on 20th
115) CC/6/309 153/12/1A CC/1/10	CC Ex. Com CC	30 27 29	Ex. Com Sec of Adv. C. Oil	It is desired that should report on 20th
116) 2926	CC	28	Col. Russell	It is desired that should report on 20th
117) CC/P/351	CC	31	Gen. Browning	It is desired that should report on 20th
118) MEM/11/0711 5735	MEMIN JACKSON	2 JUNE 3 "	ACC MAIN MIDEAST	It is desired that should report on 20th
119) CC/P/365	Ex. Com, PBS C. C.	29 MAY 3 June	C. C. Gen. Wilson, PBS	It is desired that should report on 20th

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

2001