

ACC

10000/136/365

CREATION OF ITALIAN MINISTRY OF SUPPLY
JULY - DEC. 1944

365

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)

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SECRET

Page 1

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1	CB1 ACC-S-293 Stone	17 Jul 44	AFHQ	Authorization requested for cre- ation 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 recom- mendation to Ital Govt, for Ministry
5	Memo Densmore CSC	12 Aug 44	Econ Section	Recommendations, pls. re cables
6	Ltr 72/7 Econ Sec	13 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 exer- cising supervision over resuscita- tion 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.
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SECRET

Inter Office Memo

SUBJECT: Ministry for Foreign Trade.

10 December 1944.

TO : Economic Section.

Ref/307/COS

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 A-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.

H. Massey J/cdr

✓
for Chief Staff Officer,
To the Chief of Staff.

Copy to H.O. to the Chief Commissioner. ✓

2967

(15)

4006/cc

A/6

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

SOTCC

DEC 10 1944

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:

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

Chief, Economics & Supply Division

SECRET

ECON SEC (ORIG)

SOTCC

Cap S

4006/CC

④ 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 running 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 1935, 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 segretariato 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 R.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

2064

trans. R.C.

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Ext: 386

Ref: ³⁰⁷~~27~~/ 90811th November 1944

SUBJECT: Proposed Ministry for Foreign Trade.

TO : DCS, Economic Section, AG.

1. The enclosed original and translation of a letter from Prime Minister Bonomi to the A/C 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.

296

Copy to: Major Quayle.

2963

(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.

Original delivered by hand

7 Sept 1944

See 13

FILES A-B

091.1
X-091.3-1
made

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

8 Sept 1100
Hand
DKR.

S E C R E T

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

FMS/ejp

A/CC 091.3

29 August 1944

Subject: Italian Exports

To : Vice President,
Economic Section.

1. Reference attached:

a. Copy of letter C-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".

2. Copies of above references are being supplied Political
Section.3. Above transmitted to Economic Section for appropriate co-
ordination and action.4. Note C-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 <i>mm</i> 1225
Initials <i>LS</i>

FILES A B

091.1 Part B
 X-091.3 Comments
 11

11

29 Aug

SECRET

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

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.

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3 Incls:
 as in para 1 above.

FILES (A-B)

Stone.

400

Suspended
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X-160-X
 2913
 Capt. Stone
 1-160

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)

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

Aug 1945

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

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

CMS/CFD/mls

31 AUG 1944

23 August 1944

HQ AFHQ APO 394

245
27 Aug 1944
1944

Dear Captain Stone:

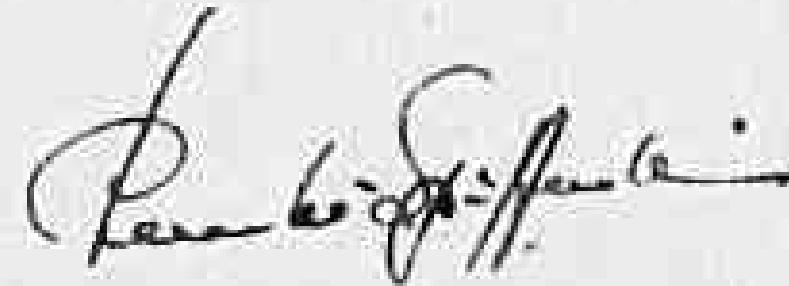
I am enclosing two papers which you and others of the Commission's staff may find of interest. These papers were submitted by G-5 to the Economic Sub-Committee of the Supreme Allied Commander's Political Committee. This Sub-Committee, as you perhaps already know, is under the chairmanship of General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

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.

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.

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.

Incls: as above

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

2957

SECRET

23 Aug

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

HO APO 394
844
27 Aug 1944
JMR.

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 44

SECRET

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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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 2A

J. BRUCE THOMPSON, Major, R.A.
S.O. 2 (C.A.), Economic Section

2952

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13 Aug

Files HRP

091.1

Office of the Acting Chief Commissioner

Creation of Italian Ministry of
Supply.

091.1

12 August

4

Economic Section

1. Reference

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.

Hq. ACC - Sec'y Gen.

For the Acting Chief Commissioner:

DISPATCHED

Date: 2951 Aug 1945

Via: Magr.

By: PRR.

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

600 091.1

file 11/17

SECRET
ALLIED CONTROL COMMISSION
INCOMING MESSAGE

TO: HQ ACCA 2096
10 AUG 1944

SIGNAL MESSAGE CENTER No: 79/09

FROM: AFHQ SIGNED SACHEDCLASSIFICATION: SECRETREFERENCE No: E-80997PRECEDENCE: NONEDATE AND TIME OF ORIGIN: AUG 091824 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.

ACC DEST:

ACTION - Sec Gen (2)

INFO - A/CC

File

Pol. Sec.

Econ. Sec.

Sir Neil Charles

Hon. Alex. Kirk

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0911

files (A #13/701)

DATE and Time of RECEIPT AUG 10

Distribution:

(4)

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SECRET

ESC (44) 7
3rd August 1944

ALLIED FORCE HEADQUARTERS

K-55

SECRET

ECONOMIC SUB-COMMITTEE

COPY NO.

30

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 supervision 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 principles 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 member

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 transactions throughout the Mediterranean Theatre. AFHQ, G-5, is not a commercial organisation 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 formalise the situation and to bring in the USCC as well as the UKCC. Such an organisation 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 utilising 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

SECRET

K-55

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 TAI 165 should be elaborated to cover such trade".

The price policy laid down by the CCS in TAI 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 day of sale.

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vantageously 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 dependant 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 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 handicraft businesses which could produce for export.

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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 CCAC, sometimes for FEA. There have as yet been no imports

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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 if 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

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- 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.
- 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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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.

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