

INFORMATION REPORT

CD NO.

COUNTRY Italy

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DATE DISTR. 23 MAY 1949

SUBJECT Preliminaries to Italo-Polish Commercial Agreement

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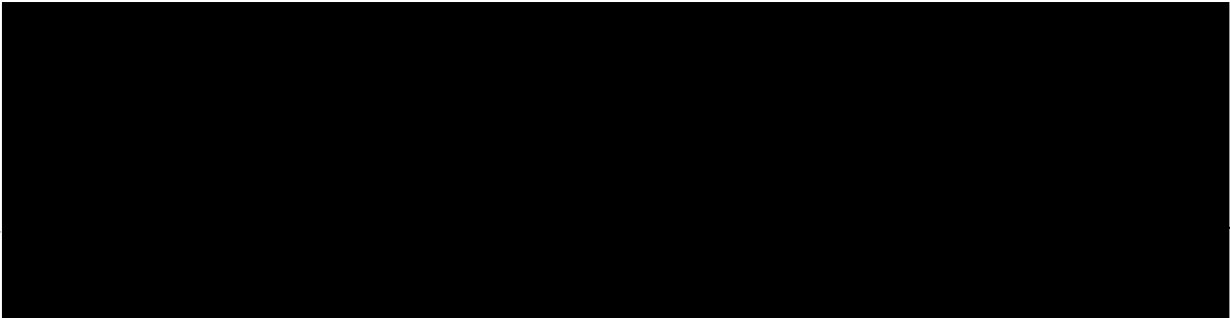
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1. On 28 February 1949 the Finmeccanica (Italian state-owned holding company which controls the mechanical industry) sent a circular letter to all the firms under its jurisdiction to inform them of the desires and criteria to be used by the Polish Government in negotiating for a renewal of the Italo-Polish commercial treaty which expires on 30 June 1949. Preliminary discussions were scheduled to begin on 20 April 1949. The Italian Ministry of Foreign Commerce was informed that twenty Polish experts were to arrive from Warsaw before that date.
2. The desires of the Poles were explained verbally by Polish economist Dr. Adam Rose, who attended a meeting held at the offices of the IRI (Istituto Ricostruzione Industriale) on 23 March 1949. The Poles were greatly interested in purchasing Italian industrial products and, as in the past, they wanted to pay for these products in coal. This type of payment is very acceptable to the Italian industries themselves.
3. At this meeting, which was attended by representatives of the Polish Ministry of Foreign Commerce, Dr. Rose made the following points:
 - a. During the last period, Italy had negotiated with Poland only annual clearings based on 750,000 tons of coal. Other extra clearing compensations made with private persons accounted for an additional 250,000 tons of coal exchanged. The Polish Government hoped to increase this quantity and to extend the clearing period to at least three years in order to be able to negotiate the delivery of industrial goods;
 - b. The Polish Government would be willing to send one million tons in the annual clearing for exchange for all products of immediate delivery, and a total of five million tons in three years for the industrial goods with the understanding that the five million tons could be kept at a minimum the first year and would reach a maximum the third year. Poland is willing to bring the price of coal to a competitive level;

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c. The industrial goods which Poland desires from Italy, in exchange for the sixty million dollars worth of Polish coal, may be summed up as follows:

| | | |
|----|---|---------------|
| 1. | Boilers and accessory equipment, including turbines, generators, transformers, switches, control switches and other accessory equipment | \$ 6,000,000 |
| 2. | Machinery and installations for iron works; blast furnaces | 10,000,000 |
| 3. | Tooling machinery, especially large machinery | 3,000,000 |
| 4. | Motors for ships | 10,000,000 |
| 5. | Parts for ships | 7,000,000 |
| 6. | Pumps, turbine compressors, electric motors, cranes, etc. | 6,000,000 |
| 7. | Precision machinery | 3,000,000 |
| 8. | Vehicles of all types (automobiles, trucks, self-propelled vehicles running on tracks, etc.) | 15,000,000 |
| | <hr/> | |
| | Total | \$ 60,000,000 |

d. The Poles believe that industrial goods should preferably be exchanged exclusively for coal, which allows the most rapid exchange, but they are ready to include raw products up to one-third of the total value of the goods imported should this be considered indispensable by Italy.* They believe that it is easier to negotiate for the exchange of raw materials through private negotiations;

e. The Poles believe that it would be best to create a government agency as in France, to take care of these exchanges. The reason is that during the first year the Poles will be creditors, during the second year the situation will reverse itself and Italy will be creditor for about fifteen million dollars, the third year there should be a complete equilibrium. This situation will require fide jussis and immobilizations which can best be guaranteed by a government agency.

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- f. The Poles also wish that it be borne in mind that since they are offering the coal at the international commercial value, they expect the price of Italian goods to be on the same level.
4. The two Poles in charge of negotiations are Ludwik Wedolowski and Wincenty Piekarek, Commercial Attaches of the Polish Embassy, Rome.
5. The Finmeccanica has suggested that the Italian firms contact the Polish Commercial Attache and the Commercial Counsellor to commence negotiations before the arrival of the Polish experts. In this manner, the Italian firms will be able to discuss precise offers, since the Poles wish to negotiate contemporaneously the agreements on supplying the coal and the industrial products.

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Comment: According to source, Italy has a twofold interest in obtaining raw products. One is economic, the other political:

- a. The economic interest is due to the fact that in order to purchase raw products, Italy has to pay in strong currency. This cannot be obtained from the sales of Polish coal which cannot be re-exported; and
- b. The political consideration is that with the organization of the Itaipolcarbo firm the more Polish coal that enters Italy, the more funds become available to the PCI (Partito Comunista Italiano).

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