

possible arrangements for commercial credits. They did not raise the question of drawing on any balance of Italian assets which might become unfrozen and be made available to them.

We appreciate the fact that obstacles remain in the way of direct formal discussion between representatives of the Canadian and Italian Governments at this stage. It is our understanding from the documents transmitted with our despatch No. 386 of February 12,[†] despatch No. 1292 of May 23rd,[†] and despatch No. 1624 of June 30th[†] that it would be appropriate in the absence of direct diplomatic relations for a representative of the Allied Commission to discuss these matters with the Canadian authorities. As Mr. Harlan Cleveland, Executive Director of the Economic Section in the Allied Commission, is expected back in Washington for a few weeks upon completion of the U.N.R.R.A. Council meeting before going on to Rome, it occurs to us that you might wish to consider the desirability and feasibility of inviting him to visit Ottawa and discuss the financial arrangements with you if they have not been settled by that time. In the meantime, or at the same time, it might be useful, if proper, for Mr. Ortona (who was an active member of the original Quintiero-Mattioli Mission which worked out financial arrangements with this country prior to United States recognition of the Italian Government and who has remained in Washington at the Italian Embassy) to go to Ottawa to discuss even informally possible financial arrangements and you might wish him to bring with him Mr. Sacerdoti to explain the technical details and urgency of the Italian non-military relief requirements. In the event that you consider it useful to have Cleveland or any of the Italian Officials visit Ottawa it would be desirable to give them as much notice as possible to enable them to get approval and guidance from the Allied Commission or from Rome before proceeding to Ottawa.

In venturing these informal suggestions for your consideration we recognize that there may be insuperable obstacles in the way of such discussions, or that such discussions may be unnecessary particularly if the deliberation in Ottawa on financial arrangements is already proceeding satisfactorily. Nevertheless we have thought it desirable to draw your attention to the presence of these officials in Washington in case you might feel that consultation with them would be feasible and would be of assistance in the consideration of this somewhat urgent problem in Ottawa.

Finally it might be remarked that the success of the Allied Commission and the Italian Government in securing supplies required under the category B or non-military relief program has a significant bearing on requests which will be made to Canada and other contributing countries for the continued provision of basis relief supplies to Italy through military relief, UNRRA, or other civilian channels. The category B program is, as you know, designed to restore the Italian economy to the extent necessary to reduce and finally eliminate the need for basic civilian relief from outside sources.