

(a) The procedures for seeking Canadian advice on supply availabilities and for initiating procurement have been established. (See letter No. 34413 of January 2nd from the Acting Deputy Minister of Trade and Commerce to the Under-Secretary of State for External Affairs;<sup>†</sup> and paper CLAC(S) 18/2<sup>†</sup> enclosed with Ritchie's letter of April 19th to Angus.)<sup>†</sup>

(b) The program of Italian requirements has been submitted to the Canadian departments concerned (see our despatch No. 895 of April 5th to External Affairs and subsequent related communications to Trade and Commerce).<sup>†</sup>

(c) Advices have been received by the Commercial Counsellor of this Embassy from the appropriate authorities in Ottawa as to the availability of certain supplies in Canada, subject in some cases to Combined Board consideration.

(d) The amount of funds available for the purchase in Canada of supplies for Italy outside military relief, and the precise method for financing such purchases remain undetermined apart from the indication in EX-1234 that "there is a very limited credit for the financing of supplies for Italy and we should prefer to consider requests for goods which may be needed for social humanitarian and pressing economic reasons on an ad hoc basis with a view to ensuring that any supplies available will be put to the best possible use."

(e) In Combined Board operations there would appear to be some reason for reluctance in showing Canada as the sole source of supply for a particular item on the basis of known availability in Canada since for financial reasons it may develop that Canada is unable to supply and the Italians may therefore be deprived of an essential commodity which might have been secured elsewhere.

(f) The Italian authorities and the Allied Commission remain apparently unable to secure supplies from Canada even though the valid urgent Italian requirements and the probable availabilities from Canada are known to the Canadian authorities.

We have been approached informally by Sacerdoti, head of the Italian Technical Delegation in Washington, and the Commercial and Supply representatives of the Italian Embassy who wished to enquire whether there was anything that they could do to facilitate the procurement of supplies from Canada. They referred to the urgent need for certain supplies to be loaded in September and the last quarter of the year. They outlined the limited facilities available to them for procurement in the United States and United Kingdom (on which you were advised in considerable detail in the enclosure which accompanied our despatch No. 1817 of July 24).<sup>†</sup> They mentioned that up to the present, to the best of their knowledge, none of the funds available to them in the United States could be used for procurement in third countries and similarly none of the United Kingdom funds could be used outside the United Kingdom and Colonies. They expressed an interest in knowing what, if anything, Canada proposed to do concerning troop pay equivalent, but we refrained from giving them any indication of possible developments in Canadian policy on this point. They indicated that at some stage their Government would probably wish to discuss with the Canadian authorities