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Control: 6580

Rec'd:

March 9, 1962
11:30 p.m.

FROM: ROME

TO: Secretary of State

NO: 2636, MARCH 9, 8 PM

ACTION DEPARTMENT 2636, INFORMATION BONN 88, PARIS TOPOL,
MOSCOW UNNUMBERED

REFERENCE: EMBASSY A-599

ITALSIDER GENERAL MANAGER MARCHESI TOLD EMBASSY OFFICERS MAR 9 THAT AFTER VERY DIFFICULT NEGOTIATIONS AGREEMENT FINALLY SIGNED WITH SOVIET REPS BY WHICH ITALSIDER WILL REDUCE OUTRIGHT ITS PIPE DELIVERIES BY 60 THOUSAND TONS, I.E., FROM 240 TO 180 THOUSAND. THIS AMOUNT IS NOT TO BE SHIFTED TO GERMAN PLANT PHOENIX-REINROHR AS WAS FORMERLY ARRANGED. THE USSR CONSISTENTLY REFUSED TO ALLOW ITALSIDER TO SHIFT AMOUNT TO PHOENIX PLANT. MARCHESI COULD NOT UNDERSTAND WHY USSR OBJECTED SO MUCH SINCE GERMAN PLANT HAS AVAILABLE CAPACITY. RUSSIANS FIRMLY REFUSED TO CONSIDER OTHER ALTERNATIVES SUGGESTED BY ITALSIDER SUCH AS RESORT TO ARBITRATION, REPLACEMENT OF 60 THOUSAND TONS OF PIPE BY OTHER STEEL PRODUCTS (RUBBER, CHEMICAL). HE SAID HE WAS ASTONISHED WHEN THEY ACCEPTED OUTRIGHT REDUCTION. MARCHESI SHOWED EMBASSY OFFICERS ENGLISH TEXT (PRESUMABLY TRANSLATION) OF AMENDMENT TO ORIGINAL AGREEMENT AS SIGNED BY SIDER EXPORT AND BY PROMSYRIO IMPORT. ITALSIDER AGREE PAY 100 MILLION LIRE (ROUGHLY \$150,000) DAMAGES FOR REDUCING AMOUNT FROM ORIGINAL CONTRACT; AT FIRST USSR DEMANDED THREE TIMES AS MUCH. ALSO USSR INSISTED ON PRECISE DELIVERY SCHEDULE WHICH RULES OUT POSSIBILITY THAT ITALSIDER COULD STRETCH OUT DELIVERIES, I. E., DELAYING 20 OR 30 THOUSAND TONS FOR APPROXIMATELY ONE YEAR. SCHEDULE NOW CALLS FOR 95 THOUSAND TONS TO BE DELIVERED BY END OF JUNE 1962 AND REMAINING 85 THOUSAND TONS TO BE DELIVERED IN FAIRLY EVEN QUANTITIES OVER THE

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ENSUING FOUR QUARTERS. ITALSIDER ALSO HAS TO COMPENSATE PHOENIX FOR CANCELLATION OF CONTRACT BY WHICH IT PLANNED TO SHIFT DELIVERIES TO LATTER FIRM. MARCHESI THOUGHT THIS PENALTY COULD BE MINIMIZED BY AGREEING PURCHASE SHIP PLATES FROM PHOENIX LATER.

BECAUSE OF VERY DIFFICULT RECENT NEGOTIATIONS WITH USSR, MARCHESI SAID ABSOLUTELY NO WAY OF DELAYING DELIVERY OF ANY PORTION OF CONTRACT QUANTITIES. TO SATISFY MATTEI THAT OTHER COMMODITIES (I.E. PETROLEUM, RUBBER, EQUIPMENT) WOULD NOT BE AFFECTED BY REDUCTION OF PIPELINE DELIVERIES, ITALSIDER HAD HARD TASK GETTING USSR TO AGREE THAT AMENDMENT REDUCING PIPE DELIVERIES WOULD NOT AFFECT OIL DELIVERIES AND THE OTHER RELATED CONTRACTS. HOWEVER HE BELIEVED THAT FLAT REDUCTION OF AMOUNT TO BE DELIVERED WAS MUCH BETTER ARRANGEMENT AND HE HAD NOT EXPECTED TO BE ABLE TO ACCOMPLISH AS MUCH.

HE SAID MATTEI HAD ALSO PROTESTED ABOUT HIS EFFORTS TO SHIFT ORDERS TO THE GERMAN FIRM BECAUSE ITS CAPACITY WAS NEEDED TO SUPPLY PIPE FOR GERMAN END OF MATTEI'S PIPELINE FROM GENOA TO BAVARIA. HE IMPLIED THAT MATTEI MAY HAVE ENCOURAGED THE RUSSIANS TO REJECT THE PROPOSED SHIFT TO PHOENIX.

OUR A-599 REPORTED MATTEI PLANNING PROTEST TO ITALIAN OFFICIALS BECAUSE ITALSIDER HAD ACCEPTED "CLAUSE" DEMANDED BY US WHICH PREVENTED FIRM FROM ACCEPTING USSR ORDERS WHICH WERE PERMITTED UNDER ITALIAN REGULATIONS. IN LATEST CONVERSATION, MARCHESI SAID THAT MATTEI HAD IN FACT GONE TO SEE FOREIGN MINISTER SEGNI, STATE-HOLDING MINISTER BO AND INDUSTRY MINISTER COLOMBO AND HAD ALSO WRITTEN TO ALL THREE. HOWEVER ITALSIDER PART OF AGREEMENT WITH USSR HAS NOW BEEN ALTERED BY SIGNED NEW AGREEMENT, MARCHESI SAID, AND IS FAIT ACCOMPLI SO FAR AS MATTEI IS CONCERNED.

REINHARDT

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Central File: Decimal File 461.659, International Trade And Commerce. Trade Relations, Treaties, Agreements. Customs Administration., Union Of Soviet Socialist Republics And Italy, Other Administrative Measures Affecting Export Trade. Embargo, Includes Determination Of Ultimate Destination Of Exported Goods. End-Use Checks. Export Licenses. Pre-Licensing Checks. Subsidies. Export Bounties., March 9, 1962. 9 Mar. 1962. MS Commercial and Trade Relations Between Tsarist Russia, the Soviet Union and the U.S., 1910-1963: RG 59, State Department, Central Files, Commercial Relations (411.61 and 461.11), United States-Soviet Union, 1950-1963. National Archives (United States). Archives Unbound, link.gale.com/apps/doc/SC5106467672/GDSC?u=camb55135&sid=bookmark-GDSC&pg=1. Accessed 1 May 2024.