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OFFICIAL DISPATCH

VIA: Air Pouch #734
SPECIFY AIR OR SEA POUCH

DISPATCH NO. 1823

CLASSIFICATION

TO: [] DATE: 11 January 1950

FROM: Chief, Foreign Division P-1 CLASSIFICATION CHANGED OR CHANGED TO Secret

SUBJECT: GENERAL: Operational BY REQUEST OF FEIS-5
SPECIFIC: [] BY AUTHORITY L. []
ACCOMPLISHED BY []

1. The following summary of the activity of interest to the home and Milan stations. It covers the period ending December 1949. For a complete review of the contact with Edmund CROSS see MEMO-2509, dated 14 November 1949.

2. Subsequent to the preparation of the above dispatch, [] has been in contact with CROSS to discuss the OLLIAN passport and nationality business. [] reports as follows: "CROSS now believes that the OLLIAN nationality could be done rapidly, as he (CROSS) had been able to do something for the Italian Service so important that he had made the OLLIAN nationality dependent upon this service. Now I must get OLLIAN to make the formal 'Demande' with his lawyer and turn it over to CROSS as quickly as possible. [] then stated that he had learned a lot about the Italians with this story of SPANZI (MEMO-2468) and that they had behaved very badly, but that he was now stronger with them than ever and intended to exploit it to its full. 'I have them where I want them and am making damn good use of it'. At this moment, one of the hotel men came in to say that M. JEAN was waiting, and CROSS asked if I'd mind his coming in. I said, 'Who is it?' and he replied, 'Oh somebody, not very important, from the French service with whom I am working'. [] left by a side entrance and did not see M. JEAN.

3. Early in December CROSS offered [] two of the British service passports, mentioned in MEMO-2509, para. 15, for sale for whatever amount [] can sell them, the proceeds to be split on a 50/50 basis. Nothing further had been reported on SPANZI's actions in this deal, but Born has been queried.

4. On 11 November SPANZI telephoned [] from Milan. []'s report of this conversation is as follows: "Mr. SPANZI rang me up from Milano to tell me that he has been removed from Milano and is off to Paris where he hopes he will be stationed. I think I can flatter myself that my little hornet's nest with Mr. CROSS and Mr. BULLO has produced this. He gave me the message from CROSS to say that I was quite right, the Italians had double-crossed him". (Note SPANZI had just moved into a Milan apartment with [] AUTHENTICATING OFFICER)

[] SIA

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[] Chief, FDM

FORM NO. 51-20
1949

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his wife and family.) In his phone conversation with INFANUS, ARBAHNI asked if [] knew anybody in Paris. ARBAHNI stated he was going to work in Paris but that since he did not know a soul there was quite possible [] stated he had hundreds of friends there, but added that he doubted if any of them would be of use to ARBAHNI. ARBAHNI said he would visit Lugano shortly and discuss his Paris future with [] ARBAHNI, who was leaving the next day for Paris, visited [] in Lugano on 15 November and declared that he eventually hoped to set up a new post either in Geneva or Lausanne. On 11 December ARBAHNI called from Paris saying he was making no headway and requested "contacts and tips". [] has not as yet supplied any operational leads. ARBAHNI again indicated no night came to Switzerland later to see INFANUS.

As far as can be determined, CROSS is not passing information to [] nor is INFANUS passing his reports to CROSS. We have received from [] reports which are alleged to originate in a penetration of a Communist cell at Montaleno, which acts as center for certain agents active in Western Europe. Late in August the same source told [] that on 24 August, an unidentified Russian coming from Switzerland, ordered the Montaleno cell closed as an agent meeting, and distribution point and shifted to Trieste. Source described penetration agent as an Italian Communist of Yugoslav origin. He further stated the agent was not believed suspect by the Communists and would be able to move to Trieste. Two reports originating from this source are duplicated in the material submitted by CROSS to [] on 22 August, see para. 23 of PIA-4779. The specifications on aircraft as given in the [] letter (see para. 22, PIA-4779), although not duplicated by [], are identical in form with material received by [] from this source. CROSS' statement of origin and reliability of his material as given in PIA-5228, para. 7(2) and paras. 18, 19 and 20, seems to bear out the assumption that this material stems from a common source.

3. Charles HOLLAND, British citizen, who for the last two years has been a salaried man for a hearing aid concern in the Milan area, residence Fore Semperte 88, Milan, telephone 19872, visited [] on 19 October 1963 in Lugano. [] has known HOLLAND since 1943 when HOLLAND was head of the communications for the Allied Commission in Milan. During the course of this visit HOLLAND said he wanted to introduce INFANUS to a "new British intelligence personality in Milan who was extremely interested in PCI figures in the Milan area". [] stated he was perfectly willing to lunch with the man but could not promise to be any help as he definitely did not care to become involved in any intelligence activities, nor to jeopardize his relations with various CP people who were extremely useful to him in business dealings. After two telephone calls from HOLLAND, [] agreed to a luncheon meeting arranged for 27 November. HOLLAND arrived at the home of [] with Mr. Robin SMALLY, British Vice Consul, Milan, and his wife. Following lunch at the Taverna in Campione, where conversation had been very general, the party repaired to the [] villa in Lugano. SMALLY then asked if he and [] could have a few accounts together. He told [] he was most interested in meeting him and that in connection with his work he was continually coming across references to [] He asked INFANUS if he had any connection with the American service, saying that he did not wish to cross any wires. SMALLY was assured by [] that he was not working for any service and that he did not have any desire to work for SMALLY.

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It is plain that he did not wish to compromise any contacts which might jeopardize his profitable business dealings. The conversation covered the following:

- a. [] was asked for information on CP personalities known to him. Renato GIGARINI, Marco VERA and Nina BRAZZA were discussed briefly. SEALEY queried [] about the possibilities of a "good PCI defection", saying that in Berlin Communist defections were to be had by the dozen. [] gave it as his opinion that in Italy, or at least as far as his own Communist acquaintances were concerned, this was not the case.
- b. SEALEY stated he had heard [] as considered by the Italians to be a Yugoslav agent, a Communist agent, and/or a Royalist agent. SEALEY asked him what truth there was in it. To a negative answer SEALEY asked if [] had had any Yugoslav contacts in the past. [] stated he had had no such contacts since shortly after the war. The subject was brought to a close when SEALEY commented that this was not his field anyway.

SEALEY inquired as to how much information on Party affairs [] ever received from contacts such as Renato GIGARINI. [] stated he never tried to allocate his Communist friends by providing them for details of their political activities. At the conclusion of the discussion [] asked for SEALEY's assurance that he would not mention the meeting to the Italian service. SEALEY assured [] he had no contact with the Italian service.

7. A second meeting took place on 2 December at the office of the British Command in Milan, where SEALEY is in the British Plans and Information Office. As the outset of the conversation SEALEY told [] he had been in Rome where he had been conferring with his superiors on some of the topics covered in the last meeting. He then made a point of saying, "I must tell you that I am only a British Vice Consul and all this business is done in Rome, and I do not act as part of the service, but only as a medium of communications". This was decidedly different from HOLLAND's version of the subject and SEALEY's own approach at the first meeting, when the latter made no effort to conceal his intelligence interests. Subjects covered at this meeting were:

- a. VERA [] gave background information on VERA's work during the war and added some generalities about his present activities. VERA was pictured as 100% loyal to the Party and not a prospect for approach by SEALEY.

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- b. **CHARNIN:** **IRVING** gave full background, including an outline of **CHARNIN**'s friendship with **WALSH**, whom **CHARNIN** still feels to be his. In answer to a question of **IRVING**'s contacting **CHARNIN**, [redacted] said he doubted **IRVING** could get very far.
- c. **SEALEY:** [redacted] gave biographical information on **IRVING**. **SEALEY** said **Roca** was in possession of considerable information on **IRVING** and that he believed **IRVING** was very valuable underground information. He further added that the British were willing to protect **IRVING**, give him a passport if necessary, if he were willing to contact them and report his information. **SEALEY** asked **IRVING** what he knew of a report that **IRVING** was head of a service shipping arms to the Communist underground in Yugoslavia. **IRVING** told **SEALEY** that he knew **IRVING** had attempted to make arms deals in the past. **SEALEY** asked how **IRVING** knew this man who was obviously a gangster and was told he had been presented to him in connection with obtaining a passport for **Michael OLLIAN**. **SEALEY** asked and said, "I believe **Mr. OLLIAN** is under the illusion the British intelligence is obtaining him his passport". At this point **IRVING** decided to tell **SEALEY** the story of the **OLLIAN** passport deal and introduced his contact with **Edmond CROSS** as recounted in para. 3 of attachment to **WASH-2609**, but excluding any mention of **ARABIAN**. Following this **SEALEY** promised not to put any spokes in **IRVING**'s wheel which would ruin his opportunity to make a considerable fee on this business venture. **SEALEY** expressed his views on **CROSS** by saying he considered him "a nuisance as most people believed him to be in the British service". He asked **IRVING** whether he knew **CROSS**' status, to which **IRVING** replied only to the extent that **CROSS** had presented himself. There was no mention by **SEALEY** of **IRVING**'s Israel status, and the only mention of his intelligence work was that bared in the course of the story of the **OLLIAN** passport negotiations.
- d. The other personality discussed was **Vicenti Claudio OTTOLINI**, on whom **SEALEY** said he had received a report. **IRVING** gave him a bit of background on this man, saying that he thought **OTTOLINI** had possibilities but would always be mixed up in a political situation because of his fascist background and connection with Fascist organizations. **SEALEY** said he would like to run over a few minor characters at the next meeting and the discussion was closed.

