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DISPATCH NO. PIRA-5569

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CLASSIFICATION

CLASSIFICATION	SECRET
DATE	28 February 1950

TO: Chief, FDP

DATE: 28 February 1950

FROM: []

SUBJECT: GENERAL

SPECIFIC: Plan LACY - Edmond CROSS

REFERENCE: PIRA-5228, 5390

SOURCE: [] (B-2)

Secret

Report on 8th Interview, 9 January 1950.

1. The interview with Subject was held, as usual, at the Hotel Quirinale. It lasted about two hours.
2. After the usual greetings, Subject discussed the Italian situation, starting his remarks with a reference to the events at Modena. He saw the situation in a different light from the optimism which, in his opinion, has pervaded Italian official circles. He said the Communists are really only working for the future. He added: "In case of conflict - which is inevitable - I would not like to be in Italy because the Communists would become masters of the situation in a very short time." He said that for this reason he would prefer to be in North Africa from where it would be easy for him to go to Kenya to the large base of operations which the English are preparing for a possible third world conflict.

After a reference to the efficient political intelligence preparation of the men who control the PCI (in his opinion their experience comes from having had to carry on political struggles clandestinely) in contrast with the lack of clear vision of a majority of the men in the government, he said: "It is probable that shortly we will see a series of strikes that the PCI will try to force on the dock workers to stop the unloading of American war material and it is possible that Italy and France will have to resort to the mobilization of the merchant marine and dock workers; in any case, it will be a method of increasing the tension between the government and the opposition." (Source comment: Some of these remarks are correct, others exaggerated. At any rate, it is certain that the PCI will not stand idly by as certain actions taken in regard to various local organizations would indicate).

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FORM NO. 1
APR 1947 51-28

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SOURCE METHODS EXEMPTION 3B2B
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-2-

4. The conversation then covered the following subjects:
5. Mission to Istanbul (see PIRA-5590). Source reopened the question, declaring with all the necessary tact that he was not satisfied with the information given him concerning this episode. Subject stated that the mission organized by PODESTA had failed, but that all the same he had been able to get the following information by correspondence on the gathering of American diplomats:
- a) A study of the situation in the Near East in case of conflict. The diplomats reportedly recommended to Washington that a Mediterranean pact be drawn up which would include Italy, Spain and Turkey. The Arab League would participate in it, but taken as a whole, that is excluding the possibility of separate agreements with the different nations of the Near East.
 - b) British policy therefore has received a serious setback for the following reasons: Greece reportedly is to be excluded from the arrangement, this being excused by saying Russian must not be irritated; The Arab League will no longer be controlled by the British and the governments of the nations belonging to the League itself are to cease acting as tools of British interests only.
 - c) Furthermore, he added that the dissemination of the news at Tel Aviv has caused some reaction because his chief did not think the information was reliable.

Subject defended the authenticity of the above information which in his judgment was the truth on the situation.

- Abrahami?*
6. Subject has considerably reduced his organization in Italy with the departure of Captain BENTLEY from Milan. At the present time, the Israel IS controls the following agents in Italy: Subject; Dan WNY; Arturo PAKER.
7. Subject stated that he desired to relieve himself of the work necessary for the control of Jewish elements in Italy. This job reportedly will be given to another element. Subject will supply the important information on him and his duties.
8. The Israel service has reportedly had its financial means cut by half because of the fact that the conflict with the countries of the Arab League, which formerly was expected for next spring, now seems to have been put off. (Source comment: The reductions are real, but it is possible that this is a maneuver. Subject could say: "We have cut down the service, at least that part which is known to us, in order to be able to create an independent organization which can operate under proper cover and outside his control." This is a hypothesis, but it is a hypothesis which must be kept in mind).

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-3-

9. Source told Subject that he had a vague report about the departure of a foreigner for Egypt whom he (Source) had thought the replacement of Walter RUFF. He asked Subject for a confirmation of this. Subject replied that he knew nothing about it; but then he immediately added: "Perhaps Dan AVNY did not do things carefully enough!" (Source comment: This may be taken as a confirmation. The person concerned may very probably be the stateless national, Janos ALBEG, father Janos, of Hungarian origin, who left for Egypt on 8 December 1949, after a series of meetings in Rome with unidentified persons. This matter has been treated in PIR-5915.
10. Subject referred again to the case of ^{at OLLIAN} ~~Michelo~~ OLLIAN (OLLANS) A-10 Lithuanian citizen, for whom FODESTA had an Italian passport issued at Subject's request. This passport was later cancelled by the Milan Questura. Attached herewith is a translation and a photographic reproduction of a declaration signed by OLLIAN and countersigned by the priest, Don Carlo GNOCCHI, and by Subject, in which the circumstances are explained which permitted OLLIAN to obtain an Italian passport for only three hours (see Attachment A). Subject gave Source a "dossier" on the OLLIAN affair, asking him to review the case for future favorable action. (A microfilm copy of this dossier is attached, see below, para. 25). According to Subject, OLLIAN is a powerful personality in the European industrial and financial world. He said that the documents in the "dossier" confirm this declaration. OLLIAN, according to Subject, had direct connections with important Italians, including DE GASPERI, PELLA, MARAZZA, etc. Hon. MARAZZA reportedly promised to intervene should any organization give notice of the possibility of conferring Italian citizenship on OLLIAN.
11. (Source comment: From the analysis of the attached declaration, two facts are obvious which are worthy of attention:
 - a) Subject tried to help OLLIAN in the expectation of their engaging in business deals together;
 - b) The explicit declaration by OLLIAN that he had never been to the British Embassy in Rome.
12. (If OLLIAN is really a gentleman and a patron of culture as the official documents claim, this shows that Subject has purposes which could be the following:
 - a) To connect himself with a powerful man for the prestige and financial possibilities, and for commercial purposes, in order to create a solid platform for himself for the future.
 - b) To use OLLIAN for intelligence purposes, without giving him any specific job; but remaining near him and cleverly maneuvering his action. This would involve living in his shadow, following

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INVESTIGATE OLLIAN'S CONNECTIONS WITH THE MILAN QUESTURA

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-4-

his contacts (which would be very interesting if he could meet people like MORGENTHAU, for example), and direct his activity.

13. (OLIAN declares that he has never been to the British Embassy in Rome. By that means that he has both social and business relations with Subject as a British agent, but that he has nothing to do with the work which Subject is doing in Italy. The importance of the declaration lies in the light it throws on Subject, who stated when he first referred to OLIAN that the latter knew him as an agent of the British Intelligence Service. OLIAN cannot be naive, but he must believe that Subject belongs to the BIS. That Subject has dealings with him on a business level should not surprise OLIAN because agents of the BIS are in most cases authorized to make a livelihood for themselves through commercial activity except in rare circumstances. It is significant that OLIAN believes Subject to be an agent of the BIS because the fact tends to confirm the duplicity of Subject's position as partly an Israeli and a British agent.)
14. (Source does not know how Charles JONES fits into this picture. It is possible that the latter does not know who Subject really is and that close bonds between OLIAN, an old friend of JONES, and Subject could have been formed under his very eyes. For this reason, it is difficult to decide whether JONES knows the plans which Subject has as his aim in making himself useful to OLIAN, and if his conscience could allow it, that a friend and a person of OLIAN's importance and integrity should become the pawn of an Israeli agent. Subject could have declared that his interest in OLIAN was purely personal, supporting this assertion with the documents from the "dossier", but he took the opportunity to reinforce his own plans, i.e., the possibility of securing valuable information derived from OLIAN's contacts and connections in the Western world, exploitation of his connections with MORGENTHAU, etc. He also confirmed that he would use OLIAN without the latter's knowing it, an unconscious informant.)
15. (Source proposes to return the "dossier" to Subject, telling him that after what has happened (Commander FODESTA, the Milan Questura, etc.), it would be better if the Italian authorities kept out of the case, more so in view of the high connections of Subject.)
16. (Field Comment: Reference should be made in connection with the above consideration to the conversation between [redacted] and the British Consul, Milan; particularly the latter's assertion that he thought that OLIAN was "under the illusion the British intelligence is obtaining him his passport" (see PIRM-1823, para. 7, c). This assertion completes the circle: not only does OLIAN know Subject to be an agent of the BIS, as indicated above, but the BIS is evidently also aware of OLIAN's beliefs on the matter. Of the two possible hypotheses, i.e., that of

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-5-

a direct British contact with Subject, or of an independent BIS penetration of OLIAN, we would prefer, on balance, the former).

17. Donald JONES, according to Subject, reportedly offered him \$2,000 a month if he would agree to work for him. Subject claims JONES belongs to the American I.S. (Source comment: It is difficult to give any credence to Subject's assertion. But as JONES is more of a business promoter than an intelligence agent, it is possible that he wants to become associated with Subject who seems to have many deals underway in order to give impetus to his own commercial activity).
18. Subject presented additional material from the "MAURIZIO" network.
- a) It was immediately contested that the sketches and the characteristics of the "jet" previously received from this source were of no importance. They had been derived from various technical magazines. Subject was surprised at this and told Source that he absolutely could not believe that "MAURIZIO" would deceive him. He thought it possible, however, that the agents who collected the material in England may very well have extracted the material from technical magazines.
 - b) In a letter to "Mister TED" (this is "MAURIZIO"'s name for Subject, it is clear that DE PAOLI ("MAURIZIO"), who works with Subject and who allegedly intercepts part of the material which reaches the alleged Soviet office in Trieste through Italy, is the son of a government employee of the Ministry of Telecommunications. Subject asked if something could be done for him. (Source comment: In the hope of gaining additional information on the group to which "MAURIZIO" reportedly belongs, this will be taken under advisement).
 - c) "MAURIZIO" had communicated to Subject (TED) the information received by letter from the Trieste agent about certain protective measures which reportedly were taken in Trieste and the suspension of the courier services for the alleged local Cominform office from which the material that "MAURIZIO" passed to Subject allegedly originated. (Source comment: This is allegedly in reaction from the arrest of the Polish agents in Italy which would tend to support the existence of the channel of which we have no proof as yet. But it is possible that the situation may have already been skillfully exploited. At any rate, before making a final judgment, it is necessary to have all the elements at hand). (Field comment: This may, as well, preclude the drying up and eventual cessation of the operation on the part of its contacts in Trieste).

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