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PIRA 5946
8 May 1950

TO : Washington
FROM : []
SUBJECT : Plan LACY - Report on 11th Contact with Edmond CROSS
SOURCE : []
EVALUATION : B-3
REFERENCE : ROME 5022; PIRA-5374, K/POK I []

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1. As usual, Source met Subject in a small private room in the Hotel Quirinale at 5:00 p.m. on 11 April 1950. He stayed for a rather long time, but the topic of conversation often descended to matters of little importance and rather ordinary particulars of Subject's family life. Evidently, there is still friction between Subject and his wife.
2. Subject has now left the Hotel Plaza and has returned to live with his family, but he claims that his life is made very unpleasant by certain abnormal tendencies of his wife. The resultant situation makes him very nervous because it creates all kinds of difficulties for him in the performance of his work. He said: "If I had the cooperation and help of my wife, or at least her comprehension, I could do much more." He discussed this matter at great length and asked for advice. This was given to him freely because it is desired that Subject feel an increasing sense of confidence in his contact's judgment. The conversation then turned on the specific topics which are summarized below.
3. Subject expressed concern over the fact that a situation which is unfavorable to his country is developing in the Middle East. He stated that the Arab League is becoming very strong under the

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Believe this and following
should appear that
he is not down and
replied to dissemination
and over with Source evaluation.

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political guidance of Egypt. In his opinion England is playing its usual double game, and has managed to achieve powerful control over the situation.

4. The agreement with Jordan, which Subject called a masterpiece of skill and patience, came to nothing as a result of a very serious incident which occurred at the Jordan-Palestine frontier just at the time when the signing of the agreement was taking place.
5. The plan to break up the Arab League which was to begin with this agreement and which was the cornerstone of a vast program to be undertaken by Israeli diplomacy fell through at its finest and most impressive moment. Official circles in Tel Aviv were humiliated and annoyed. According to Subject, the Irgun Zvai Leumi is to blame because they ordered and carried out a raid in Jordan territory in order to sabotage the policy of the Israeli Department of State for Foreign Affairs. There were human victims as well as heavy damage to livestock.
6. All those responsible for the damage were turned over to the authorities. Generous reparations were offered to Jordan in the hope of regaining her confidence in Israel. (SOURCE COMMENT: It seems that the frontier incident was not reported in the Italian press, but it probably actually happened. On another occasion Subject reported a piece of information which was true and which had not been published by the Italian newspapers. The explanation which he gives to the strained relations between Israel and Jordan is quite possible. Either England or the Arab League could have frightened off an agreement between the two countries. It is possible that an act of sabotage by the British or the Arabas belonging to the League may have been the explanation, but the version of the intervention of the Irgun Zvai Leumi seems more probable. The Irgun Zvai Leumi is a strong and dangerous association which has remained alive in spite of the fact that it has been officially dissolved. It is guided by certain fixed principles in regard to the British and the Arabs and naturally cannot countenance the policy of greater friendship which seems to characterize the present line taken by the Israeli Ministry of Foreign Affairs. Therefore, sabotage of the agreement with Jordan would be a natural consequence of their principles; but it is also possible that Russia may be behind the Irgun Zvai Leumi.)
7. The British have sold some VALPINE jet planes to the Egyptian government. The Palestine government attempted to purchase the same type

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of plans in England, but its request was rejected. Subject said that the British policy was stupid and inconsistent because it forced Israel to turn to the Soviets. "I am certain," he said, "that we will be able to obtain the VAMPIRES from Moscow and Moscow will be happy to sell them. However, if this should happen, we who are practically alone and without support in the world will eventually find ourselves cooperating with the Russians through no desire of our own. And this would be a dangerous game because the first time there is a serious incident with the Arab League a general conflict could break out." According to Subject, the Israeli Department of Foreign Affairs has become very pessimistic about possible future aspects and developments of the world political situation. The danger of a strong rapprochement of Israel (which, due to a spontaneous and almost-innate tendency, has leanings toward Communism) by the Moscow Government would be a new factor which could change the political situation of the Eastern Mediterranean. Moscow would certainly not permit such a good opportunity to escape. Subject's bitterness toward British policy has been noted; i.e. British insistence on guiding Egyptian affairs according to British interests alone (much to the disgust of the Government of Tel Aviv) so that Egypt is being made into an aggressive state.

8. According to Subject, Egyptian aviation represents a force which is of great concern to Israel. Contrary to all custom and historical precedent, Egyptian aviation is reportedly controlled directly by the King of Egypt. He can use it as he wants without giving an account of his actions to anyone. This particular situation is justifiably of great concern to Palestine. He added that the Egyptian Air Force includes a number of former German and Italian air officers, whose ability is universally recognized.

9. With the excuse that Subject had only passed him material of little interest, Subject was asked about the reports compiled by the SDECE which he had furnished at previous contacts. Subject expressed his regret that he was unable to furnish any other samples of this material because the REVERB and WAST affair had blown FEYRE, a former Israeli agent, who had been forced to leave France. In time the Israeli service would possibly be able to procure other sources, but at the present moment their organization is compromised.

Note that
Peyle is
returning to
France according
to RMI 5128
M-26179
dated
17 May 1950

10. It was immediately object that MOCH was still in France and in a position of authority (in an attempt to obtain confirmation of Subject's

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Consideration should be given to the possibility of working to one of our French flying contacts (who is anti-Peyre) in order to the effect that Peyle was a collaborator for Russian service in France, perhaps. Knowledge of the identity of the service. This might provide an interior intelligence and investigation which could allow Subject's service to be

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statements in the preceding interview). Subject assented, explaining, however, that MOCH provides the Israeli I.S. with a different kind of material, originating with the counterespionage units (Securite' du Territoire).

11. It was pointed out that a sample of this material would be useful in order to study it and to gain an idea of how the French counterespionage service works. But Subject immediately replied that he belongs to an intelligence organization and he does not believe it would be possible to obtain material from that source. "On the other hand", he added, that he "believed that MOCH provides information which makes it possible for the Israeli I.S. to act with security in its operations, rather than intelligence material proper."
12. (SOURCE COMMENT: Confirmation of and amplification of what Subject previously stated was to be desired. While no new details emerged, it is to be noted that this time it was Subject who mentioned PEYRE's name. At the preceding meeting he had said that he could not remember the name of the Israeli agent, but that it was a rather strange name (this is true) of a person who had left France (with the help of MOCH, probably). In fact, PEYRE reportedly fled to Brazil.)
13. Subject was asked for information about his work and his reticence in this matter was criticized. It was emphasized that Subject should have full confidence in his contact, since in their talks a desire to facilitate and not to interfere with Subject's work in Italy had always been shown. Under previous agreements Source reminded him that Subject had undertaken to provide information (only one-sided, however).
14. Subject replied that before a "certain search" of his house had taken place and before these meetings, he had had a different opinion of Italian counterespionage. But after what he had seen and observed he does not dare make any further snap judgments (he added that Dan AVNY and PACKER feel the same way). (SOURCE COMMENT: This admission ties in directly with the statements of Dan AVNY, previously reported, to the effect that the Italian service was "of little value and that its personnel could be bought with a piece of bread". But it is painful to note how Subject was positive that a search had been made of his house by the Italian service. Subject's assertion is, of course, correct. This shows that the precautionary measures against infiltrations of the Israeli Service should be increased. The contacts with

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activity contrary to the interests of Italy. Subject was surprised to hear the explanation that under the Penal Code his activity is subject to punishment even if it is not directed against the Italian Government.)

18. It was noted that in view of these additional needs, the Israeli IS must have increased the funds because the \$10,000 would not have been sufficient. (SOURCE COMMENT: In the previous interview Subject had declared that he had a fund of \$10,000 per month which he could use in Rome.) Subject answered that the available funds have been increased and that he can always ask for new appropriations. After a trip to Naples and Bari, where he will stay only a few days in all, he will go to Greece and Turkey. (SOURCE COMMENT: In speaking of Turkey and the difficulties which he is encountering there, Subject made no reference to his previous request that he be provided with an Italian passport. Source is not sure whether Subject shaved the matter of his own accord or whether he made this request in the course of the preceding interview without stopping to think and without concentrating on the importance of a request of this kind.)
19. Subject has always been sensitive to criticism. It was pointed out, therefore, that he had never, despite his promises, given the names of his collaborators nor the people with whom he maintains contact for "work" purposes. He gave Source the following list:

- CIT-ITALY*
- 1) Ing. BERNOLINI ARDE (Via Po 77 (investigations in progress))
 - 2) Marcello GRIFF
 - 3) Emilio KHOUDAY (Minister of Lebanon to the Quirinale)
 - 4) Michelo OLLAN
 - 5) Col. Peter Celestine EDRE
 - 6) Col. DE PONTE
 - 7) Captain Giovanni PIENGA
 - 8) Cndr. Luigi FODESTA

RID/PIS - ADD with [unclear] [unclear]
April 12 (outgoing)
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NOT IN ITALY - SEE DOCUMENT
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9) Josés PRICE DONALD

10) Maurizio (Ivo DE PAGLI)

11) Virgilio RUSCA - Venice

12) Ing. Gastone PANNELLI - Hotel Lugano, nome

20. In giving Source these names, Subject stated that he has a point of support at Ing. BERNOLINI's and that the latter's other acquaintances have no connection with Subject's work.

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21. In discussing Capt. FIENGA Subject exhibited a strong hostility toward the Italian Naval Intelligence organization, which he said had cut short FIENGA's career. (FIELD COMMENT: As of 25 April FIENGA, whose service cryptonym is BATTISTA was still sending cables to DELATOR from Bari. Subject's assertion is believed to be without foundation.) At the same time he complained at great length about Cmdr. PODESTA' who he says has become a dead weight. Subject says that he must sustain PODESTA' because of the moral commitment involved.

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The affair of the motor fishing boats is developing favorably, but instead of putting a man in charge like Cmdr. PODESTA' who does not have his feet on the ground. (Subject said that he had no common sense) he prefers an expert in the field even if he is not well educated otherwise. For this reason he has chosen one MASTRONARDI of Bari who knows fishing and coastwise navigation and who can be useful to him in every way. (SOURCE COMMENT: In the preceding interview he had spoken about MASTRONARDI as if he were an Italian official who had gone to Egypt and Jugoslavia. Now he has clarified the matter.)

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23. Subject once more brought up the OLIANS case, emphasizing his point that it would be very advantageous to give him an Italian passport. He slyly added that in his opinion the Italian service would thus be doing something which would please Comm. BARLETTA, who arranged for the issuance of the passport which was given to OLIANS by the Questura of Milan. (FIELD COMMENT: If so, this occurred because PODESTA' who sponsored the issuance of the passport neglected to provide the Ministry of Interior with full details on OLIAN's background. Actually OLIANS' passport was annulled as a result of the intervention in Milan of BARLETTA's representatives, DE FLORA.)

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Subject said he would be willing to put OLIANS in direct contact with the Italian services. (SOURCE COMMENT: Subject was told that the matter has not yet been settled and that it is hoped to have a reply shortly on the subject. Meanwhile an independent source has reported that OLIANS has contracted to coin gold money for Israel. Subject has not mentioned this. At any rate, this detail illustrates the financial power of OLIANS and the confidence which the high authorities in Israel have in him.)

24. A discussion was provoked of the Italian woman who was reportedly sent to Tel Aviv under a false name. This woman, he said, is one Signora LORONI, who travelled under the name of MODIGLIANI. She is now in Tel Aviv where she is being closely watched. Subject said that she will not be disturbed, but her mission has failed. In Subject's opinion, the case has proven that a certain sector of the Italian Navy is working more or less openly for the Arabs against Israel. Subject took the occasion to express his dislike of Major PONTANI who he claimed is hostile to him. (SOURCE COMMENT: Presumably Subject's dislike of Major PONTANI is a result of Capt. FIEKGA's present difficulties and of Cmdr. FOESTI's elimination from the service. Subject blames this occurrence on the carabinieri attached to the IN Unit of the Navy.) (FIELD COMMENT: Subject also charged that PONTANI was in direct contact with Arab State diplomats, including Amin FARIM (Egypt) in Rome.)

25. Israel had arranged for repairs on several tugs of the yards at Castellamare di Stabia. Subject stated that it had been a surprise to learn through his own sources that the work was being done with the full knowledge of the Egyptian authorities. He believes that there are Italian organizations who would concern themselves with informing the Egyptian authorities of the activity and commercial enterprises of the Israeli citizens in Italy.

26. This is very serious, said Subject, because the government of Tel Aviv has proven to be particularly sensitive on this subject. Thus it would have been possible to repair the tug in yards in Southern France. In any case, it is certain that the result will be against the interests of Italy.

27. Subject then took the opportunity to complain of the method of procedure used by the Italian authorities in the exportation of arms and war material (the affair of the M tanks) to countries not

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