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COUNTER INTELLIGENCE CORPS
MILAN DETACHMENT, ZONE 3
APO 512, U.S. ARMY

Ref.No. 485-1.

31 December 1946

SUBJECT: General Situation Report.

TO : AFHQ, Northern Detachment, C M F.

Part I

General Security:

1. General security was maintained satisfactorily by the Counter Intelligence Corps in its assigned area during the month of December. Investigation of GIS, OZNA and unfriendly elements, reporting of the political and economic situation in Northern Italy, continued.
2. Due to the re-deployment problem, arrival of new agents from the States and the opening of offices in Turin and Genoa to replace PSS, an acute administrative problem has been encountered. New agents are being indoctrinated in CIC procedures. Lack of the language qualifications and investigative experience are creating a difficult task for the few experienced agents who are still left in the area.
3. Close liaison with Italian intelligence and police agencies was maintained. Contacts with friendly Yugoslav elements were maintained satisfactorily.

Part II

Military Security:

1. Security of information: Nothing to report.
2. Security of personnel:
 - a. Over 250 security checks were made in the provinces of Como, Sondrio, Bolzano, Merano, and Milan for the American Consulate General and the British Consulate General in Milan. Other checks were made for AFHQ, Northern Detachment and 427 PSS. Over 600 people were interviewed by Agents of this detachment on behalf of the Allied Consulates in Milan.
 - b. Investigation were also conducted for American Units in Austria and Germany as well as other Allied Consulates in Italy.
 - c. Arrests of wanted persons continues.
 - d. An individual case of interest was the attempt by persons unknown to provoke an anti-Allied incident at the Hotel Excelsior

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Gallia where the 7100 S. Service Unit is billeted. (See report dated 17 Dec. 46, Ref.No.464, Subject: Attempt to Provoke Anti-Allied Incident). Following the Padova anti-British disturbances, unknown parties called over 20 families in Milan falsely informing them that a member of the family was struck down by an Allied vehicle and was dying in the lobby of the Excelsior Gallia Hotel. This brought a fairly large number of people to the hotel who asked verification of the telephone call. The MP's, CID, and Italian police and press cooperated in publicising and denouncing the incident as an attempt to create a situation that didn't exist. The attempt failed of course. There is no reason for any anti-Allied demonstration in Milan since there are very few Allied soldiers in the city and those few are excellently behaved and well liked by the civil population. It has not been ascertained whether any organization or political party was responsible for the above.

e. On 24 Dec. 1946, agents of this detachment arrested Hainza MELAMED, suspected personal intelligence courier for Marshal Tito. MELAMED entered Italy via Domadossola and was bound for Rome when arrested. At present MELAMED is at the disposition of 427 FSS, awaiting interrogation.

Part III

General Situation in Milan:

1. Political Situation.

The concentration to the right and left and away from the center is continuing to gain momentum. Once more the extreme rightist and alleged neo-fascist Uomo Qualunque Party deserves special attention for its surprising success in a region theoretically leftist because of the huge mass of industrial workers. It is very significant and interesting to note that the Catholic Church is slowly but surely swinging its support to the UQ party and away from the PDC. Although the support is not yet official, the effects are already being felt. The "old bogey", the "Red Terror" is being played up to draw new supporters to the party. To support the above, an interview between Cardinal SCHUSTER of Milan and an informant of this office resulted in drawing out a confirmation from the Cardinal that the Church is preparing to energetically support the UQ Party without completely withdrawing its spiritual leadership of the PDC. It is suspected that a plan may be taking shape to fuse all the parties of the center and right as a catholic, liberal, anti-Marxist movement. If this is successful, the Vatican will be able to effectively pull the strings of ~~the~~ government supported by 8 to 10 million voters, rendering impossible a leftist government.

From left to right, the position of the more important parties is as follows:

- a. PCI (Communists)
- b. PSI (Socialists)
- c. PDA (Actionists)
- d. PSDI (Demolaborists)

- e. PDC (Democristians)
- f. PRI (Republicans)
- g. UQ (Qualunquists)
- h. PLI (Liberals)

Nearly all parties (excepting the Communist Party) are presently harassed by internal party strife.

The PSI is torn between two streams of thought:

- a. That of the fusionists, led by Pietro Nenni (President of the Party) who support a unified plan of action between the communists and Socialists.
- b. That of the anti-fusionists led by SARAGAT who differentiate between the two Marxist theories and are against active collaboration with the communists.

The PDC has GRONCHI, the supporter of a leftist republican strategy and JACINI, who represents the conservative pro-monarchist elements

The UQ which is striving towards unitarian centralization (led by PATRISSE) is attempting to eliminate a negligible try towards decentralization of a local character (Milan) led by MAINO.

The PLI has two distinct groups. One is attempting to bring all liberal elements into the UQ camp (CARANDINI) and the other wishes to retain the elite critical nature of the Party (CROCE). This latter group is slowly succumbing to the former due to the centralization phenomenon that the right is presently experiencing.

The other parties carry very little weight at present and are not even worth mentioning since they are badly led and financed and are rapidly being deserted by their former supporters.

The manner in which the various parties in the political plane are subdivided as Marxist ("left") and anti-Marxist ("right") at present, on the institutional plane they are still distinguished as "monarchist" or "republican".

These schematic distinctions lack approximations and generosity. The connecting tissues of Italian politics are complex and cannot be reduced to any particular pattern or scheme. In fact, the result of the institutional elections of 2 June 1946, demonstrated for example that while the PDC declared itself for the Republic, in reality, the majority of the PDC votes went for the Monarchy. Even the UQ which declared itself agnostic voted solidly for the Monarchy. Finally, there were many centers, like Palermo, where even the communists contradicted themselves by voting for the Monarchy. As for political orientation, the same phenomenon is taking place. Often times a project supported by the leftist elements of the PDC is more progressive than that which is supported by the PSI. The above being true, one would think that GRONCHI (PDC) belongs to the left and SARAGAT (PSI) belongs to the right. One can conclude therefore that when Italians speak of the "right" or "left" they simply mean anti-Marxist or Marxist. The leftist elements of the PDC, in fact, can never be considered as belonging to the "left", because its historical background is in opposition to materialism and separates it irrevocably from Marxism since this spirit is the basis of the character of Catholic ideology.

Politically-wise collaborators of this office believe that the crucial point of the Italian political question is that while the USA believes that the Italian political situation proposes a simple problem of forces (and its solution is to dominate the political scene by economic domination), the British believe that a socialist government of the British Labor type can eliminate the propelling force of communism and assume a center-progressive aspect capable of mobilizing the democratic forces of the country and shake off the apathy shown by 40% of the voters who generally abstain from voting. The inevitable result of such politics will be an open clash with the Vatican. The Catholic Church has become anti-socialist because socialism is a Marxist theory and is materialistic. This error is inevitable on the part of the politician fundamentally permeated with social reform and moreover pushed by a natural repugnance for all that which comes, even indirectly, from Papal suggestion.

The same observers believe that it would be more advantageous to Allied political strategy if Italy is allowed to re-acquire a minimum of political potential and permit her (the rest of the Mediterranean countries included) to move away unaided from the Soviet orbit. (In fewer words, Socialism should not be forced on Italy).

The Italian Monarchy hasn't therefore much to gain from Allied Policy. As far as the institutional question is concerned the Italians themselves think that the problem has not been resolved as yet. Italians feel that the USA are indifferent on this question while the British lean towards the Monarchy as long as the Monarchy represents an element of stability in its anti-communist policy. Monarchists are found in all parties to-day. In respect to geographic distribution they are more prevalent in Southern Italy, and Naples is their nerve center. In Northern Italy, the provinces of Cuneo, Piedmont and the cities of Como (Lombardy) and Padova (Veneto) are those which still conserve the Monarchist structure. In respect to social categories, those frankly monarchist are the nobility, members (officers and noncoms) of the Army and Navy and white collar bureaucrats. Financiers, industrialists, and property holders are in both institutional camps, ready to serve, depending on whether it will render them monetary gain. Large groups of the middle classes supply many monarchist supporters as do a small group of workers, farmers and proletarians depending on the politics of their bosses. The Monarchy in Italy at present is neither a party or faction, it is more or less a tradition, understood and felt as a habit. The only monarchist organization is the PDI ("Mattino d'Italia"). At present it is being absorbed by the UQ party. Champions of the Monarchy are Roberto LUCIFERO, BELVAGI and Mario LUPINACCI. In Northern Italy, monarchist hopes were behind Edgardo SOGNO, but for some time now the monarchist circles have ceased to support him because of a marriage of convenience on his part with Countess Arborio MELLA to prepare the ground for reentry into the diplomatic service. To be a monarchist to-day is an excellent political and economic affair. The opposition usually thrives on its popularity as an underdog, because it is a type of courage that in a political ambient where fear has been the decisive element, it thrives. The pro-monarchist papers papers "Oggi" and "Candido" base their good fortune on this motive, tasty to the Italian mind to applaud anyone

who says badly of the occupation forces. It goes without saying that the monarchist idea to-day has recovered much of its ground, but it is perhaps it represents a reactionary phenomenon which cannot be mistaken for a concrete symptom. If Italy was monarchist to-day, perhaps the contrary would be true. The monarchist idea was therefore responsible for the development in Italy (although sporadic and not consolidated) of several rightist political movements opposed to communism.

a. The "Movimento Tricolore" for a while led by Gen. Roberto BENCIVENGA, old spokesman of anti-Fascists, head of the resistance in Rome, tried to unite monarchist elements on a political and paramilitary basis but failed. BENCIVENGA has now gone over to the UQ Party and the MT ceased to exist as a political entity.

b. The AIL ("Armata Italiana di Liberazione") under monarchist leadership is attempting to unite all political forces with a common national denominator. In Northern Italy, the AIL is led by CESARE CARNEVALE, ex-Major of the Italian Army, ex-commander of the "Lorenzini" partisan brigade, which during the clandestine period acquired mediocre fame, ex-organizer of anti-communist armed squads in league with Lt. Sergio VALDORA, ex-questore of Bergamo during the past insurrectional period. The AIL, after some initial success fell into discredit because of the mediocrity of its leaders, none of whom, including CARNEVALE, enjoyed even a minimum amount of political or military reputation. Recently it attempted to align itself with the "MRP", but without concrete results. As far as Lombardy is concerned its importance is slight at present.

c. The vicissitudes of the "MRP" are enough known without repeating them here. Born out of ambiguity (anarchist ANDREOCCI and rightist SAVELLI) it still lives in ambiguity. The boost which it received from free publicity given to it by error by a badly informed government (De Gasperi) at the request of a badly informed prefect (TROILLO of Milan) has been spent sooner than thought. Subsidies given relatively easy by Lombard industrialists (PURICELLI, BRUADPELLI, etc.) cannot make the "MRP" a movement of consistence.

From a security and political standpoint the "MT", "AIL" and "MRP" represent a negligible quantity. There are the effect and not the cause of the intensification of the Italian political forces towards the extremes which is at present developing. The phenomenon of the concentration of the forces of the right (actually with the UQ at the axis) is spontaneous and has a defensive character. The UQ is making good use of definite Vatican support (Secretariat of State), and the forces of the right seem to be rallying around it, inflating its importance, since all parties have realized that a social-communist block could gather 10 to 12 million votes and thus secure for themselves the reins of government and thus realize their program by political progression rather than political government crisis or even revolution.

On the right therefore, two forces really count, the FDC and the UQ. With the support of the Church the latter can grow keeping in mind a) how many will desert the FDC if it continues its contradictory double policy; b) how many who at present abstain from voting will see in GIANNINI the "strong man" who will replace Musso-

lini to do all the political thinking for them. This is where Allied policy and the Church may clash. Italy is catholic and traditionally anti-Marxist and any policy cannot discount the necessity of allying itself with the Catholic Church because in Italy the pulpit and confession dominate the masses.

Within the PDC a force is on the move which although has no official name is commonly designated as the "social internal current". Leader of this group is Prof. S. DOBETHI (Regio Emilia) and Prof. A. PANFANI (Milano). These two are two of the more capable exponents of Christian Democracy and are the logical successors to De Gasperi if he is to be eliminated (excellent tactics but bad strategy) to give once more to the PDC that freedom of movement which is necessary to the party leader which came to De Gasperi as a consequence of the events and which is now rapidly disappearing.

The other parties of the right hardly merit mentioning:

The FLI lives uniquely on tradition, memories and the popularity of CROCE. Its fusion with the UQ (about to become official) will meet with official sanction.

The PDL (demolaburist) and the PDA (considered right because it opposes the Marxist theories) do not exist except in name and for the personal egoistic politicians leading them like N. RUINI, LUSSU, etc.

The PRI has in CONTI and R. PACCIARDI two capable scrapping standard-bearers. But both ignore the fact that the Party was born out of the institutional question - in fact - in the administrative elections of Rome (when the institutional question was not involved) they received only 40,000 votes against the 165,000 votes that the Party received in the elections of 2 June 46. Another proof that the Italian population is not disposed to accept a political problem which interests them little.

The possible conclusions on the political front are few but obvious:

- a. The advance towards a concentration of the right will continue with its axis around the UQ which will become progressively stronger.
- b. The PDC has a possibility of recouping only by clearly allying itself with the right or left completely, ceasing its double policy.
- c. The Allied policy (especially British) to support the anti-fusionist socialist elements is destined to clash with the Vatican.
- d. The future political picture may be a consolidated center-right (perhaps including anti-fusionist socialists, democristians and qualunquists) braked by a conservative right and opposed by the Marxist left including fusionist-socialists and communists.
- e. As for the PCI, the situation has not undergone many changes. It continues its action of infiltration in the various political organs, military establishments, unions and administrative office of the State. Its para-military organization has been controlled and slowed down, at the same time keeping a careful

watch on the rightist armed movement.

f. The PSI is attempting to eliminate its fusionist groups, the PDC its leftist groups, the UQ its "fascist" elements in order to eliminate the undercurrent accusations that it is neo-fascist. Thus each party is willing to sacrifice a part of its supporters and assume a more definite physiognomy. This is a preparative move for political action in the Spring of 1947.

2. Political Situation in Turin:

The political situation in Turin showed a slight improvement and this can be attributed to the improving economic situation.

The PCI has recently accentuated its legal (as opposed to former methods of force used) attitude. The substitution of ROVEDA by Celeste NEGARVILLE as mayor was received nearly with total indifference. The new mayor (NEGARVILLE), in his first announcements, mostly speeches, demonstrated as being an alien of the extreme leftist factions.

The PSI, notwithstanding the concentrated attacks (it is the target of) whether on the part of the communists or the Qualunquists, is holding its ground. The proof of this was a result of the Congress of the "FIOM" (Federazione Operai Metallurgici) where the socialists notably opposed successfully (aided by democristians) the communist try to render useless the juridical recognition of the unionists. The substitution of ROVEDA for PARODI as secretary of the "FIOM" (decision taken by the congress) has this significance; they wanted to place as head of the Secretariat of the organization an element because of his long public (as mayor) experience and because of his preparation as a public servant will give to the union that freedom of movement and intransigency that PARODI resisted. It remains to be seen if this interpretation is true also of the CGIL (Confederazione Generale Italiana Lavoro) which will come under PARODI.

The industrial situation continues to improve and is restrained only by the great scarcity of coal. It is important for a regular supply of coal for industrial use will be an impetus towards a betterment of the political and economic situations.

Also the small and medium industries (artisan included) are beginning to work full blast and several new small establishments (industries) have been set up. Minor establishments are being planned in the industrial field.

Unemployment is stationary, decreasing slightly. The alimentary situation is fairly good, excellent in the country where the farm season ended with notable profits. The Reconstruction Loan is being subscribed to, although with lesser success than that foreseen.

3. Economic:

The tendency of Italian prices is on the increase. US capital is continuing to be invested in Italian industry. Imports and exports are on the increase. An amelioration is seen in Italian

economy only when the long expected loan from the U.S. is realized. International prices are becoming stable. Maritime and coal strikes in America have affected to a certain degree Italian economy. The solution of these strikes in America was received with joyous relief by the Italian public.

Some drop has been noticed in the prices of natural silk (which were higher than the international price), skins and animals, but these facts are not enough to affect the general rise in prices. The Italian Lira although still unstable, is hoped to be stabilized through the American Loan and the Reconstruction Loan now being floated by the Government. The expected stabilization of the lira acts as a brake to the inflationary tendency now being experienced.

Also, that earned from imposts is clearly on the increase and acts in a positive sense because it serves to offset the great expenditures being encountered in reconstruction. The general emigration of the tone of economy is a cause and effect from time to time of the augmentation of these taxes, which could be more important if the fiscal net, totally insufficient did not depend so much on local taxes.

The investments of foreign capital continue although less than hoped for (or feared). The FIAT - KAISER FRAZER accord has been widely publicized as has the OTIS-STIEGLER accord. Also well known is the accord between the ANIC and the Allied Oil Companies. The quotations of the stocks of the above Companies substantiate the above facts. Less noticed is that at Trieste where the Constitution of economic entities in which American and British capital take over controlling interests continues.

The increase of the volume of Italian foreign commerce is visible. Statistics show merchandise arriving in Italian ports, especially at Genova and Savona. Even if it is kept in mind that part of these goods are in transit to other countries it cannot be denied that the increase is very noticeable.

The textile industry continues to work full time. The names of the industrialists who earn three and four million lira per day are on everybody's tongue (for example the stock quotation of "Gavardo"), as are the names of those industrialists who export 50% of the textiles considered as profit derived after all expenses in producing the goods have been realized and thus they are able to transfer part of their earnings to foreign countries.

The metal industry generally works close to its pre-war level potential. The ship building industry is swamped with contracts from other countries (principally from Norway and Sweden) more than the availability of raw materials and production potential permits them to accept. Good profits are expected.

The Lombard furniture industry after lengthy negotiations had to refuse a sale of furniture amounting to 800,000 pounds sterling offered by a British Delegation. But it hopes, with good reason, to recommence negotiation because it is felt sure that the British commercial Delegation will fail to acquire the furniture needed from France and Yugoslavia. The failure of these negotiations, however, is an indication that the Italian prices are slowly

approaching the international ceiling. The second indication is the slowing down of the Sicilian fruit exports - which after a period of easy sales and large earnings now clash with the international fruit market prices.

These facts should be observed with attention: Italy continues to import from America, and especially the USA, as much as it possibly can and hopes to increase these imports once the new famous Import - Export Bank Loan is realized. Italians believe that this loan will be given only when the USA sees a friendly government in Italy in which their trust can be placed. If the Italian Delegation, led by De Gasperi, arrives at a successful conclusion this will signify that De Gasperi is the "Persona Grata". With this loan only a minimum part of the difficulties will have been overcome. Italy will have to continue hoping for UNRRA (or other) aid and on the volume of its export.

Unemployment is slightly decreasing. Employment increases have been noted in Liguria, and to a smaller degree in Piedmont and Lombardy. The increase in earnings follows with difficulty the increase in the cost of living.

The devaluation of the Lira in regards to gold and to foreign gold - backed currency during the last eight months is very noticeable when the statistics are examined:

| | 1946 | |
|---------------|-----------|-------------|
| | 30 April | 4 December |
| Gold Sterling | 5725 lire | 11,000 lire |
| Gold Marengo | 4225 " | 7,600 " |
| Swiss Franc | 89 " | 200 " |
| Fine Gold | 545 " | 1,270 " |

There it can be easily seen that the lire has lost about 50% of its buying power in the foreign market.

Another interesting item which shows clearly the increasing cost of living is the fact that the Italian State Railways (FFSS) are preparing to increase the individual and transport tariffs to meet the rise in cost of maintenance. The foreseen increase is to be about 30% of the current tariff and will be put into effect on 1 January 1947.

4. Military Situation:

Nothing to report on Allied troops.

Italian troops stationed in Milan are poorly dressed and fed. It has been noticed that these troops no longer wear Allied - type uniforms, but have returned to the old green-grey, pre-war uniform. Their sloppy appearance seems to affect their morale. Discipline away from barracks is lax if non-existent.

5. Security:

Security is more or less unchanged since last month. There is some revival of common crime in some cases with severe bloody results. During the month one CC was killed and another severely wounded during a gun fight with bandits. None of the crimes committed seem to have political instigation.

6. Police Forces:

Coordination in liaison between the various Italian Police agencies are improving. The morale of the police agents is rather good. Police agents are well dressed.

7. Press:

The anti-allied and pro-Russian attitude of the leftist press is still continuing although with a noticeable decrease since last month. The Padova incident was made great capital by the leftist press using the incident to revive their "Quando se ne vanno" attitude. This month saw a violent campaign between the right press ("L'Italia" and "Corriere Lombardo") and left press ("Unità" and "Avanti") to bring to light the facts surrounding the disappearance of the Mussolini gold after the ex-Dictator and his party were executed at Dongo. "L'Italia" accused the communist party of misappropriating, for personal use money and valuables rightfully belonging to the Italian people and State. So far no open investigation of the case has been announced by the Questura.

Both radio and press widely acclaimed the coming visit of De Gasperi to Washington. Up to the present only favorable comment has been noticed in the Milan newspapers. Italian industrial and economic circles received the information as an indication that the USA is preparing to resume full commercial relations with Italy. Kenni's trip to London has been postponed from the 15 January 47 to the 20th of January 47 to allow De Gasperi to return to Italy so that during the absence of one or the other the Italian government will have a leader.

II. GENERAL SITUATION IN COMO AND SONDRIO PROVINCES.

A. General Situation

1. Political Situation.

Upon the return of the Italian Delegation from New York, the polemics of the local political circles on the decisions of the Big Four concerning the increase of the economic reparations to be paid by Italy, have become more pronounced. Reparations announced at the meeting of the Big Four at the Luxemburg Palace in Paris were 35 millions less. This increase is considered very damaging at the present moment because of the great expenditures being encountered in the economic rehabilitation of the country. For the public it constitutes another element tending to promote the inflationary tendency which to-day is upsetting Italian economy.

The opinion in local political circles to-day is that the Peace treaty will be submitted to the Italian Government during the latter part of January 47. It will be sent to the competent treaty commission of the "Costituente" for approval and ratification by the Italian governmental body. Public opinion is of the belief that the Treaty will be ratified regardless of the fact that it is considered a great burden at this time and entirely unfair in view of the contribution given by Italy to the Allied nations during the war against the Germans. It will be signed primarily to prevent any further and serious crisis in the economic rehabilitation, and to place the Italian Government in a position where it will not have to depend any longer to present Allied controls.

The news which recently appeared in the local press that the Italian Prime Minister De Gasperi has been invited to the United States by the Secretary of States Byrnes has aroused favorable comment in the political circles but especially in the finance sphere. It is foreseen that De Gasperi's trip will mean the favorable conclusion of the American Loan to Italy and the resumption of commercial relations. In local political circles it is also believed that during the Conference to be held in Washington some of the treaty clauses may be re-examined particularly those which according to the Italian viewpoint lacks sufficient acknowledgment of the period of cobelligerency in the fight against Germany. Some, however, have the conviction that the meeting cannot possibly bring any change on the decisions taken by the Big Four, but it is hoped that Byrnes might propose a compromise to avoid any further increase in the total of the reparations. The conclusion of commercial agreements which will help to revive Italian economy offsetting damaging points of the Peace Treaty are foreseen.

2. Local Political Situation.

The political aspect of the last administrative election which witnessed a large abstention from voting proved a remarkable assertion of the extreme parties, both of the left and right which have confirmed on the grounds of the results the condemnation of a government system unable to solve the vital problem which weighed the Italian people.

a. Italian Socialist Party.

The crisis which troubles the socialist party will probably find a solution only at the general congress which will be held in Rome in the month of January. The anti-fusionists (SARAGAT) have denounced the attitude of the fusionists (NENNI) and that of the communists and affirmed the necessity of defending the rights of a democratic party which should be an example and a pattern of political correctness. The anti-fusionists claim that the grave crisis of the socialist party did not originate from personal contests, an opinion which the fusionists try to disseminate among the masses, but that on the contrary, the problem by which they are confronted is to determine whether the socialist party is an association of free men, or if it should transform itself into a docile means of the will of a fusionist minority.

At Sondrio, during the period of this month the third provincial congress of the socialist federation took place. The congress, which at first was supposed to have a prevailing organizational character, dealt on the contrary with the fusionist problem in view of the next general congress of Rome. The members of the congress at the end of their sessions reached without difficulty a motion, approved by the majority of the members, intended to promote the pact of action with the communists. The same is to be said of the congress of Lecco (Como), held in November 46 on behalf of the socialist federation of the Province of Como, which also proved to be favorable to the pact of action with the communists. In view of the above congresses of Como and Sondrio the prevalence of the fusionist current can be noted.

b. Democristian Party.

While it is expected that the socialist congress of Rome will bring about a clarification of the internal position of the party with regard to the various plans and trends of the two major groups, public attention is being called upon some manifestations of a different nature affecting the situation within the Democristian Party. There is no doubt, however, that both the leftists and rightists within the party are concerned in preventing further damage to the unity of the party which suffered setbacks in the recent administrative elections. There is no doubt that this concern might force unity of action over political leanings.

In this area members of the PDC forwarded complaints to the provincial authorities denouncing the anti-clerical campaign waged by some local newspapers. The authorities have promised to take the matter up with the government in Rome.

c. Italian Communist Party.

The leaders of the Communist party accuse the FDC of supporting the interests of the reactionaries and based their accusation on the fact that the FDC failed to support the program "block of the people" in the recent elections, and thus supporting anti-popular streams.

The communist victory during the recent administrative elections "blocchi del popolo" is significant. They are hoping that in future political elections such methods will be successful, but this is dependent upon the results of the socialist congress in Rome where the social-communist unity of action may be shattered.

d. Uomo Qualunque Party.

Too many prejudices in public opinion prevail against the UQ in these two provinces, but the UQ is successfully infiltrating its members in all political parties with the hope of creating schisms within the parties and thus gaining new supporters.

3. Economic Situation.

The doorkeepers' strike in these two provinces did not result in serious consequences as the strike was held without such conviction or political backing. The strike of the "Parastatali" was the only one which created an unpleasant situation. The committee representing these state workers submitted a report to governmental officials stating that the strike was meant as a protest against the "Magioneria Generale dello Stato" because it had radically changed the agreements taken at one time with the "CGIL", agreements which only the government could change.

The alimentary situation of the two provinces remains precarious owing to the lack of bread flour, corn flour was distributed for three days a week. The cost of important foodstuffs has taken a considerable increase. It is true that there are provisions for price ceilings but the competent authorities show ever more lack of efficiency.

4. Police. Public Order.

In the Como and Sondrio provinces crimes committed against persons and property have increased in the past few weeks. The press and people have started a campaign with the hope of arresting this increasing delinquency rate. There is lack of confidence shown towards the police, especially the Questura who are recruiting youths from leftist groups for police work.

5. Miscellaneous.

The partisan movement of Verbano (Lake Maggiore) which took place last month and which appears to have been extinguished is still active although no open demonstrations have been reported.

The above movement is a result of action by communist exponents, Capt. Bruno, identified as CALLETTI Bruno, former president of ANPI of Novara and "Pulmine", identified as LORENZINI, Nco of the auxiliary police of the Questura of Novara. The above named CALLETTI on behalf of the communist Party of Novara, recently was allegedly transferred to Sesto Calende (Lake Maggiore) to give the impression that he had resigned from political life and had gone to work at the SIAI airplane factory, whereas the real reason, according to a confidential source, is to organize a communist para-military organization in the region. The same source reports that CALLETTI is said to be a member of the council of management of the above factory and more important he is strongly suspected of espionage activity, that is taking from the factory confidential patents which he sends to Yugoslavia. In Como the communist para-military organization which was entrusted to the former political Vice-questore CAPPUCIO Ferdinando was a few days ago placed under the leadership of one TERSI Pietro, alias Pierino, alias TOSI Francesco, former NCO of the auxiliary police, ex-partisan and fanatic communist.

The community of Taino (Varese) has given most of its support to the communist party. In the Costituente it has two deputies who are communists, namely Giuliano and Giancarlo PAISTTA, who have the backing of the major part of the population of the community. In Taino there is now intense activity on the part of the party to reinforce its secret para-military organization with the attempt to get legal control of the local armoury. The communist leaders in this area have spread their activity to other districts in the province, especially that of Besenno (Varese) and in Varese itself.

SECRET

Nicholas A. Matsios
Nicholas A. MATSIOS,
for

M. A. FOWINI,
Major, MI,
Supervising Agent

DISTRIBUTION:

AFHQ, ND.....2
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CIC, Zone 1...1
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