

Agency Information

AGENCY: FBI
RECORD NUMBER: 124-90124-10055
RECORD SERIES: HQ
AGENCY FILE NUMBER: CR 97-3224-NR

Document Information

ORIGINATOR: FBI
FROM: MX
TO: HQ
TITLE:

DATE: 10/11/1962
PAGES: 4

SUBJECTS:
MANUEL FUEGO
MITCHELL LIVINGSTON WERBELL

DOCUMENT TYPE: PAPER, TEXTUAL DOCUMENT
CLASSIFICATION: Secret
RESTRICTIONS: 1A; 1B; 1C; 4
CURRENT STATUS: Redact
DATE OF LAST REVIEW: 09/12/1998

OPENING CRITERIA: INDEFINITE, APPROVAL OF CIA

COMMENTS: MEMO

MC 97-71

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It is pointed out that CIA in both Managua, Nicaragua, and Guatemala City, Guatemala, is investigating this matter and the U.S. Army Attache, Guatemala City, has also done some investigation through his close contact with Lt. Colonel JOSE LAIS AGUILAR DE LEON, who is the confidential source abroad mentioned in the accompanying report.

- (U) [SCOTT HOLLOWAY, head of the CIA Station, on 2-21-62, advised on
(U) American Embassy, Managua, Nicaragua, advised on
(U) 9-5-62 that NOEL FALLAIS, who is T-1 in the accompany-
(U) ing report, runs the financial enterprises of General
(U) ANASTASIO SOMOZA of Nicaragua. HOLLOWAY stated that
(U) FALLAIS has been in close contact with the CIA Office
(U) in regard to this case. He was made available for
(U) contact by HOLLOWAY and was subsequently interviewed
(U) at the CIA office in Managua. HOLLOWAY stated he
(U) personally has encouraged General SOMOZA not to have
(U) anything to do with WERRELL, SMITH and associates.
He stated he feels the offer to sell arms and ammunition
and provide mercenaries which was made to the
Guatemalan Government was only of secondary interest.

- (S) [MICHAEL F. TAYLOR] of the CIA Station, American Embassy, Guatemala City, advised on September 10, 1962, that it was ascertained that the woman who accompanied WERRELL to Managua is LUCY LUCHIEN, who owns the Duplex Building in Guatemala City. She returned to Guatemala City on September 1, 2 or 3, 1962. (S)

(U) (S) [TAYLOR] advised that when ARTHUR L. SMITH left Guatemala City on September 3, 1962, he left as a forwarding address 1025 Connecticut Avenue, Suite 405, Washington, D.C. According to [TAYLOR] [SMITH] told the manager of the Maya Excelsior Hotel that he had the clearance of CIA. KcA

(U) (S) [TAYLOR] stated that MIGUELITO YDIGORAS, son of the President of Guatemala, advised that neither WERRELL nor SMITH had made personal contact with him. At the request of MIGUELITO YDIGORAS, the Judicial

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Police put a surveillance on WERBELL and SMITH, which apparently was rather obvious. The police also monitored their telephone conversations. Subsequently, (U) (U) Judicial Police advised CIA that SMITH had made one telephone call to MARIO GARCIA KOHLER in Washington, D.C., and another to a man by the name of DIGGS or BRIGGS in Washington, D.C. He also made a telephone call to Handy of Jones and Handy, Marine Architects, Miami, Florida. SMITH received a telephone call which was reported as having been from ARNOLD in Washington but (U) (U) TAYLOR stated that CIA believes it was from FRANK AUSTIN, who he said is connected with MARIO GARCIA KOHLER in Washington.

WERBELL tried to make telephonic contact with FRANK MARSHALL, Minister of Public Security of Costa Rica. (U) (U)

In telephone calls made just prior to 8-20-62 mention was made of meeting someone referred to only as "the general" at the Hotel El Salvador, San Salvador, El Salvador. According to TAYLOR, CIA does not believe the meeting took place in San Salvador as planned. (U) (U) TAYLOR had previously mentioned on 8-13-62 that when WERBELL and SMITH first contacted MIGUELITO YDIGORAS during early August, 1962, they stated they were waiting for PINEIRO and seemed to think PINEIRO was someone YDIGORAS would know. They stated they would contact him as soon as PINEIRO arrived. (U) (U) TAYLOR advised on 9-10-62 that it had been ascertained that Colonel JOSE PINEIRO PAEZ was apparently the one they were expecting.

(U) (U) TAYLOR stated that the telephone conversation between SMITH, WERBELL and the individuals they were talking to were apparently rather cryptic and (U) (U) Judicial Police obtained little more than the identities of the individuals making the calls.

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SOURCES

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The confidential source abroad is Lt. Colonel JOSE LUIZ AGUILAR LEON, Minister of Labor and Social Welfare, National Police, Guatemala City, Guatemala.] (X) CS

T-1 is NOEL PALLAIS, first cousin of President LUIS SOMOZA, and General ANASTASIO SOMOZA of Nicaragua, who handles financial enterprises of General SOMOZA. Located in instant report. [Source concealed as he is a contact of CIA, Managua, Nicaragua.] (U) CS

CLASSIFICATION

Enclosed report is classified "Confidential" as it contains information from an official of a foreign government and from an individual who has close connections with a second foreign government. Both requested the information be regarded as confidential. (U) CS

STATUS

While this case and also the case on MANUEL FUEGO, RA - Central America, are being placed in an RUC status, they will be reopened if any pertinent information is received.

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