

Weekly Contributions, B/LA
(CIA Working Paper)
Situation Memorandum 14-49

22 March 1949

The Current Situation in Guatemala

Despite oppositionist electoral victories, recurrent alarms of revolt, and prospects of an unfavorable economic situation, the leftist administration of President Arévalo appears, by Central American standards, to be stable. Furthermore, the recent compromise settlement of the United Fruit Company strike should enhance the internal stability of the regime as well as improve prospects for more friendly relations with the US. Both the nationalistic and radical aspects of the present government, however, may be expected to continue to conflict with certain US economic and foreign policy interests.

This year, as last year, congressional and municipal election returns have shown a trend away from the left. The Union National Electoral, which includes heretofore politically inactive conservative elements, has won the mayoralty contest in Guatemala City and has also won a few congressional seats. These victories, however, will probably have the effect of forcing the three government parties (the extreme leftist Partido Acción Revolucionaria; the radical Partido Renovación Nacional; and the moderate leftist Frente Popular Libertador) to cooperate more closely. With these three parties in control, the stability of the Arévalo government, insofar as the congress is concerned, appears assured.

The apparent reluctance of Colonel Arana, Chief of the Armed Forces (and the key figure in the military situation), to lead a coup against President Arévalo has further enhanced the stability of the government. Although Arana has used the threat of a military coup as a device for compelling President Arévalo to follow less radical policies, he has, without seriously weakening his control over the army, apparently resisted pressure from militant anti-Arévalo factions that have urged open revolt. Arana's own position seems secure. It is unlikely either that congress will replace him with a commander more favorable to Arévalo and the leftist parties or that the conservatives, now aware of his reluctance really to go along with them in leading a coup against Arévalo, could replace him with someone more amenable to their aims.

The less favorable economic situation that now seems to be developing, while unlikely to undermine his regime's stability, may serve to increase Arévalo's unpopularity among conservative elements. The period of post-war prosperity, which has favored him since he took office in 1945, is now drawing to a close. Government expenses last year exceeded income by \$10,800,000, though availability of \$12,700,000 surplus left over from former years leaves a net surplus. The fact that imports for the first 11 months of 1948 exceeded exports by some \$13,000,000 suggests an eventual scarcity of dollar exchange. Furthermore, indications are that inefficiency in government-operated agricultural enterprises (covering some 30 per cent of all cultivated land and yielding some 20 per cent of the

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total coffee crop) will result in smaller income from these sources. In view of these conditions, the government will probably choose to expand its public debt in order to fulfill its public-works projects (which involve extensive highway construction and hospital building) and to maintain the administrative bureaucracy that has been built up. Such debt expansion should not be difficult in view of Guatemala's present limited obligations. The prospect of extensive borrowing, however, in a country which has been singularly free of debt for many years, will increase criticism of Arévalo's policies.

The settlement of the United Fruit Company strike has restored the functioning of the Guatemalan economic system to normalcy. Although a definition of principles was avoided in arriving at the compromise solution of the labor difficulties, the settlement virtually assures all parties concerned normal working conditions for the forthcoming year and should, therefore, enhance the internal stability of the regime as well as improve prospects for more friendly relations with the US.

In face of continued US-USSR rivalry, Communist influence in Guatemala, which may be expected to continue during the coming year, will remain a source of concern to the US. Although there is no official Communist Party in Guatemala, the Partido Acción Revolucionaria (PAR) ideology is closely patterned after the Communist, and Communist influence has penetrated various government departments. This has been noticeable in the foreign service, both in Europe and Latin America. Sale of transit visas through the Guatemalan consular office in Prague is a practice possibly designed to facilitate the international movement of Communists. The connection of the Guatemalan Consulate in Milan with a mysterious Academia Culturale Adriatica may also be linked to Communist activity. In the Western Hemisphere, a case in point is the recent appointment of Alfredo Guerra Borges as Secretary of the Guatemalan Embassy in Salvador. Guerra Borges was associated with Communists in Chile, is the recipient of Communist propaganda from Cuba and Mexico, is a correspondent of Lombardo Toledano, and a good part of his time in El Salvador is expected to be devoted to organization of the local Committee for Peace and Democracy. Communist activity is apparent also in labor organizations, and the decision of labor leaders to come to terms with the United Fruit Company may be due, in part, to the advice of Lombardo Toledano, who conferred with strike leaders and PAR leaders in late January.

In the field of foreign economic affairs, Guatemala's radical doctrines will probably continue to cause difficulties for the US. Although the United Fruit dockworkers' strike has been settled, the controversial "discriminatory" features of the Labor Code have not been changed. Oil companies have had to carry on prolonged negotiations with the government for the assurance that they may profitably exploit (as contract agents)

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whatever petroleum they may discover. Although it appears that satisfactory draft contracts have finally been worked out, these must still be submitted for congressional approval. Certain other US-owned companies are currently under government pressure to pay allegedly valid back tax claims or labor claims.

In foreign political affairs Guatemala has assumed, and may be expected to continue to assume, intensely nationalistic attitudes which are in conflict with the US concepts of Hemisphere security based on unity of all 21 American Republics toward encroachments from without and on the fraternity of interest of the democracies. By actively espousing the cause of the Caribbean "democracies" and by conspiring against the "dictatorships", Guatemala has increased difficulties and antagonisms within the inter-American system. Guatemala has refused to recognize the new government of Venezuela which came into power through force, and has tried (with little apparent success) to draw El Salvador further into the "democratic" camp. The Guatemalan delegation to the Conference of the Committee on Dependent Territories has assumed a highly anti-imperial attitude and has stressed the imperial rather than the democratic traditions of the Western European powers. This tends to weaken the concept of fraternity of interest of the Western European powers and the American Republics in opposition to the USSR. Guatemala is in the forefront of those nations which denounce the existence of colonial possessions in the Western Hemisphere. In this connection the Foreign Office has already stated that the US decision not to participate in the Conference is an unforgettable slight to the free peoples of Latin America, since it aligns the US with England and "other imperialist nations" (presumably France, the Netherlands, and Denmark).

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