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INTELLIGENCE MEMORANDUM

GUATEMALA -- A CURRENT APPRAISAL

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DIRECTORATE OF INTELLIGENCE

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TABLE OF CONTENTS

	<u>Page</u>
Summary	1
Background	2
The PR Government, Its Resources and Policies	3
The MLN and Rightist Subversion	7
Communist Insurgents	8

ANNEX I

The Guatemalan Economy in Mid-1966	I-1
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ANNEX II



Map of Guatemala

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
8 October 1966

INTELLIGENCE MEMORANDUM

Guatemala--A Current Appraisal

SUMMARY

The three-month-old Mendez government is already in a precarious position and probably will not complete its constitutional term. Mendez' slow start and apparent inability to lead effectively have not created an encouraging picture. Rightist plotters from the National Liberation Movement and some military commanders are agreed that Mendez must be removed, and they are trying to build support within the military. Using the argument that Mendez has not moved against the Communist guerrillas, the plotters are gaining some support for their planned action. The plotters fear that the Communists will return to the prominence they enjoyed during the 1945-54 era. Any significant increase in guerrilla terrorism will unite the military into action against Mendez, This could lead to bloodshed and perhaps civil war.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates, the Office of Research and Reports, and the appropriate division of the clandestine services.

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Background

1. Extremist partisans of the right and the left are transforming Guatemala into an armed camp. Each side, while warning the public of danger from the other, is building its forces, readying for what each hopes will be the fall of the three-month-old Revolutionary Party government headed by President Julio Cesar Mendez.

2. The Mendez government is in a precarious position. The Revolutionary Party (PR) has not accepted success gracefully, and its cavalier treatment of the opposition on the right has goaded the conservatives toward extremism. Mendez' offer of amnesty to Communist-led guerrillas and terrorists was rejected by them, and the Communists have continued on their low-key selective terrorism campaign while training and arming peasants in the countryside. The Communist buildup is alarming not only the far rightists, but members of Mendez' own official family. The rightist National Liberation Movement (MLN) is attempting to recruit Honduran mercenaries and arming its own partisans for an anti-Communist fight.

3. The old political rivalries, bitter and deep, have revived, bringing with them the leftist-extremist specter of Arbenz and the rightist specter of Castillo Armas. Guatemalan politics still run on the fuel of mutual hate and fear between the leftist-extremist "revolutionaries"--whose heyday under Arevalo and Arbenz (1945-54) was at the expense of the traditional elite--and the "liberationists" who under Castillo Armas purged the country of Communism and restored rightist power. The reopening of the political wounds of the "revolutionary" and "liberationist" eras, the arming of the two partisan camps, and Mendez' apparent inability to lead effectively do not make an encouraging picture.

4. Even though Mendez is fortified with a new constitution, a legislative majority, strong support from the United States, a booming national economy, and the tolerance of the military, there can be no confidence that he will fill out his four-year term. This memorandum explores the reasons why, and assesses

the forces working for and against the Mendez government. The economy is treated separately in Annex I.

The PR Government, Its Resources and Policies

5. Every new government in Guatemala finds little on which to build. Guatemala's chronic instability and poor constitutional record (only one elected government survived its term) present a political and psychological burden for the executive. The government must also contend with social and economic underdevelopment. Over half of the 4.5 million population is Indian, living in a culture apart from modern or "Ladino" Guatemalans. Literacy is only about 20 percent, health problems are many, and labor productivity is low. Corruption in government and the dearth of administrative talent produce a highly inefficient bureaucracy.

6. When President Mendez took office on 1 July 1966, he had some obvious advantages in his majority in Congress, his lack of personal political enemies by virtue of his nonpolitical background, and the acquiescence of the military in his assumption of office. However, the legislature has never been much of a political force in Guatemala, Mendez' reputation for political cleanness was bound to tarnish, and the military's latent distrust and enmity were well known. Guatemala was nevertheless almost euphoric on and immediately after 1 July over the fact that the three-year-old military government actually handed over the reins of government to a freely elected civilian administration. Once this was done, most sectors of the country were willing to try this experiment in democracy. Yet, almost none expected the new government to survive its legal four years of life.

7. The insecurity of the Mendez government has been made clear during its three-month incumbency. It is likely, but not certain, to overcome the first serious threat it has faced--a coup now in the making. Whether or not an attempt is made against Mendez soon, his longevity as president depends on the regime's making progress much beyond the record to date. Mendez' activity so far suggests that his approach

is basically idealistic and grand scale. His administration has given a good deal of attention to foreign affairs and in a brief period has enhanced Guatemala's stature internationally. His foreign minister has participated in various regional meetings and has been nominated for the presidency of the General Assembly of the UN.

8. Mendez' domestic policies appear characterized by a long-range approach. He has expressed his belief that insurgency cannot be quelled by arms, but only by solving the fundamental socioeconomic problems which are exploited by the dissidents. He presents his political policy as one of tolerance and generosity toward the opposition. This policy has been implemented most plainly and most publicly toward leftist dissidents, however. The administration's offer of amnesty to Communist guerrillas was followed by another "call to peace" after the insurgents' initial rejection of the government. The lack of decisive action by the government suggests that the government is either afraid of the guerrillas, divided and confused about what to do about them, or perhaps even sympathizes with their social aims.

9. Mendez has shown a little patience toward the right, but not publicly. He has not yet taken action against rightist plotters although he has evidence against them. Neither has he, however, made peace overtures to them or sought their collaboration in his government or in pursuit of his programs.

10. None of his policies has had the immediate impact wanted and expected by the public. While the soundness of long-range planning is not questioned, the almost complete concentration on it without regard for pressures for quick progress on some problems is a mistake. The most dramatic, novel policy of the PR government to date was Mendez' proffer of amnesty, which not only failed to win over the terrorists, but has been cited by the opposition as evidence of the President's Communist taint. In addition, he has shown little discretion in certain appointments. He assigned a Communist writer as ambassador to France, appointed a corrupt grafter

(a relative) as chief of the national police, and named as general treasurer of the nation, Elian Dario Acuna, a member of the Communist Youth Group.

11. The most important of Mendez' problems is the continuance and growth of the Communist guerilla movement. A vigorous counterinsurgent campaign would go far to diffuse the mounting pressure for a coup. Pressure for such a campaign is most vociferous from the right extremists but not at all confined to a fanatical element. Serious concern over the security situation and over the failure of the military to move against the Communist guerillas--known as FAR--exists even among the President's staff and chief advisers. This concern provides a rationale for the plotters in the MLN, who would in any case conspire against a PR government. It is not lost on the MLN that the PR, already the only well-organized national party in Guatemala even before the 1966 elections, will be an unbeatable political organization by 1970 if it controls the government for a term. This conclusion and the fact that the PR has made no accommodation with the right give the MLN the strength of desperation.

#### The Military

12. The decision whether to tolerate Mendez or to move against him belongs to the military, the final arbiters of political power in Guatemala. Restive rumblings from the military are political storm signals, and there has been unrest within the military since the presidential campaign early this year and particularly since Mendez' accession to power. Realizing the importance of the armed forces, Mendez has taken pains to cultivate their loyalty, recognizing that certain among them are unalterably opposed to him and his party.

13. Although divergent opinions exist within the military establishment, the armed forces are always united when the preservation of the establishment is at stake. Factions which oppose Mendez will not move against him until they are certain of majority support for their actions. They take seriously their role as defenders of the established order, however, and are determined to prevent the



Communists from repeating the gains they made during the 1944-54 revolution. Mendez' staying power is directly related to the state of military opinion on the presence and urgency of a Communist threat.

14. Military tension has risen and subsided several times since the election period. The strong hand of Col. Peralta, the chief of government under the preceding military regime, staved off military plotters who would not tolerate a PR victory at the polls. After taking office, Mendez mollified opponents by appointing Col. Arriaga, a highly respected officer, as minister of defense and making a pact with the military, assuring them he would not interfere in armed forces affairs. The atmosphere changed rapidly in early August when a series of FAR terrorist activities began, directed against rightists, the military, and large landowners. The consequent wave of unrest throughout the military was most marked among the younger officers, who complained of the lack of government and high command action against the guerrilla/terrorist elements. By September, most military discontent was channeled against Minister of Defense Arriaga for his inaction and penny pinching. A "young Turk" element led by Col. Carlos Alberto Prem planned to demand that President Mendez remove Arriaga. Three officers were dismissed from the service and three were arrested for conspiring against the minister of defense. These developments have no doubt left scars on the military establishment and are indicative of the deep discontent running through the armed forces.

15. The rightist politicians' assiduous pursuit of military support for a coup appears so far to have gained no general reception from the high command. A few commanding officers have, however, affirmed the need to overthrow Mendez, and the MLN influences a significant number of military leaders. A serious development such as another series of terrorist attacks could unite the military on the side of the rightist plotters. Symptomatic of the ingrained distrust of the PR on the part of many officers is the contention of Col. Cifuentes, commander of the Mariscal Zavala Brigade, that former guerrilla members were securing high-level positions in the government. The odds for a military coup will rise in proportion to any increase in amount and success of Communist activities.

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The MLN and Rightist Subversion

16. The MLN and other rightists continue to plot against the government and to arm rightist terrorist groups. The MLN has kept up a rapid dialogue with high-ranking military officers and has dwelled in public media on the dangers of Communism, implying with little subtlety that the government and the PR are riddled with Communists. The MLN has noted the "arrogance" of the FAR toward the government and intimates that the FAR has "inside information" that its activities will be answered by new amnesties and pardons. The MLN suggests that the FAR does not need to struggle for power since through the PR it already has the reins of power in its hands. This kind of goading has brought the MLN some allegiance from the military.

17. Although the MLN came in a poor third in the March elections, it has made substantial gains in membership since then, largely from the now defunct official party formed under the Peralta government. While the MLN is still a minority party, its members and sympathizers include numerous wealthy supporters who regularly finance election campaigns and coup plots.

18. Alarmed at its victimization by Communist terrorists and at the lack of government success against Communist insurgents, the MLN has begun to arm. Besides its armed party members, the MLN counts on the support of most military commissioners (ex-servicemen who serve as agents for the military) throughout the country. The MLN has organized a group called the "Mano Blanca" (White Hand) dedicated to terrorizing Communists and their sympathizers, and other small armed groups called the CRAG and the National Resistance Front. These groups are waging psychological warfare, via the telephone and the mail, against leftists on the MLN blacklist. They also have exploded a few bombs around Guatemala City, but have caused only negligible damage.

19. The MLN's main thrust has been directed at overthrowing the PR government. The MLN has contacted elements in the military and neighboring governments for support and is receiving some financial

support from the business community. Ex-army chief of staff and defeated MLN presidential candidate Miguel Angel Ponciano is at the center of current MLN/military plotting. Ponciano has been [redacted] motivated and almost obsessed by the idea of becoming president. The government is aware of Ponciano's involvement and has his home--which has been used for meetings with MLN leaders and military men--under surveillance. Ponciano [redacted] told MLN leader Mario Sandoval that key military leaders are agreed that the PR government is abetting the Communist guerrilla movement and have decided to move together with the MLN. [redacted] included among the plotters are Col. Jose Romeo Pereira, commander of the Cuartel General; Col. Manuel Arturo Giron, commander of the Guardia de Honor Brigade; Col. Carlos Manuel Arana, commander of the Zacapa Brigade; Col. Felix Estrada, commander of the Quezaltenango Brigade; Col. Enrique Cifuentes, commander of the Mariscal Zavala Brigade; Capt. Mario Paiz, commander of the First Airborne Company in Retalhuleu; and Col. Felipe Doroteo Monterroso, chief of the air force. Ponciano [redacted] plans to leave Guatemala if the coup is not effected by 10 October.

EO 12958 3.4(b)(1)>25Yrs  
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20. The MLN is probably exaggerating its current strength, but it does in fact appear to be gaining sympathetic ears within the military. [redacted]

[redacted] an MLN ultimatum demanding the dismissal of newly appointed government officials considered Communists or leftists will be presented to President Mendez by 9 October. If he accepts its terms, Ponciano and the military will, for the time being, abandon their plans for a coup. If Mendez rejects the ultimatum they intend to go ahead with their attempt to overthrow the government.

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#### Communist Insurgents

21. The Communist Party (PGT) is banking on an MLN/military coup attempt at some point in the Mendez term. Even though Mendez has hardly been a "revolutionary" president, a rightist coup against him would amount to a gauntlet flung at the left. The PGT leaders believe that Mendez' fall could well spark civil war. The Communists have used the past

three months of political freedom--since Mendez lifted the state of siege and halted the repressive activity of the security forces--to prepare to fill the political vacuum that civil war would cause.

22. The PGT, with support from the intellectuals as well as from the poor, constitutes the only truly revolutionary force in Guatemala now that the democratic left controls the government. Since the inauguration on 1 July, the Communists have gained strength and even respectability from their continuing open dialogue with the Mendez government. In contrast with their repression under the military regime, the Communists now have access to press, radio, and the public forum in general. Even their rejection of Mendez' amnesty offer has enhanced their image, and made them seem a more potent and determined force than they had appeared before. The guerrillas give the impression that they are a virtual state within a state, and a growing one.

23. The PGT and its action arm, the Rebel Armed Forces (FAR), together represent the most disciplined and best trained organization in the country. Fidel Castro sees the FAR as one of the ablest revolutionary groups in Latin America and has promised it Cuban support. Since Luis Turcios was killed in an auto crash on 2 October, the FAR has been led by his chief lieutenant, Cesar Montes, a 24-year-old former law student and member of the Communist Party. The loss of Turcios is not expected to cause significant change in the guerrilla picture.

24. With their new-found peace the Communists have resumed recruitment in the labor field. One of the more interesting recent developments is the potential revitalization of the Communist-dominated labor union FASGUA, which has been moribund for some time. FASGUA is currently issuing a barrage of public statements, petitions to the government, and calls to the workers to join its few affiliates. Carlos Toledo, the secretary general of FASGUA's major affiliate, the Guatemala City Bus Drivers Union (SPAS), has been appointed alternate to the labor representative on the government's Council of State,

and other FASGUA leaders are appearing in public for the first time in recent memory. A real danger exists that insidious influences from the FASGUA camp may be able to worm their way into the independent labor movement, which the Communists controlled during the 1945-54 era.

25. Communists have also been recruiting and concentrating their activities in the so-called "Ladino crescent." (see map) This area encompasses the fertile areas to the southwest of Guatemala City and to the northeast of Guatemala City to the Caribbean coast. The area is inhabited by Ladinos, who are more susceptible to Communist agitation than the Indians. The Indians tend to remain outside the mainstream of society.

26. [REDACTED] the guerrillas have trained and organized 1,500 peasants in the southwest. This number is probably exaggerated, but some peasants are believed to be trained and armed. [REDACTED] the PGT, aided by the FAR, has been successful in organizing increasingly large numbers of campesino leagues in the southwest. The basis for campesino support is the Communist demand for extensive agrarian reform--to include the expropriation of private property. In the Department of Escuintla, farm administrators have been forced to leave and in some cases have been assassinated. FAR meetings are openly held on some farms and in some rural villages, and propaganda is widely distributed. A PGT/FAR campesino congress is now scheduled to be held in the city of Escuintla in mid-November, and similar congresses are planned for other departments.

27. The guerrilla organization in the northeast is excellent. Guerrillas have been operating there for over five years and have eluded the military with considerable success. There are indications that the guerrillas have established a modus vivendi with the peasants and that they receive some cooperation from them. Over the years the guerrillas have paid for what they have taken and have provided the peasants with free medical care--deliberately contrasting in behavior with the high-handed manner of much of the military. While pursuing the guerrillas,

EO 12958 3.4(h)(1)-25Yrs  
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the military, on occasion, have rounded up a group of innocent peasants, accused them of being guerrillas, and shot them.

28. Current estimates on the guerrilla strength indicate that the FAR has considerably more than 300 men in the field at any one time. This number can be easily augmented from a "reserve" force--perhaps numbering as many as 5,000--of secondary and university students, professional people, laborers, and others located in Guatemala City. Students usually participate in training and guerrilla activity during vacations and weekends.

29. [REDACTED]

[REDACTED] the guerrillas have been procuring weapons through an arms-smuggling ring located in Mexico City and Tapachula on the Guatemalan border. [REDACTED] police authorities who arrested members of the ring in late September report that documents indicate that over 4,000 US-made rifles have been smuggled into Guatemala for the FAR since early February 1966. There is no reason to doubt that the guerrillas are well armed.

30. There are indications that the FAR has penetrated the military and the government. Guerrilla redoubts that have been located and destroyed usually had been evacuated. The guerrillas usually get advance information on military movements. Even though the army patrols the Atlantic Highway from the capital to Puerto Barrios, guerrilla elements are able to stop traffic at will and disrupt transportation.

31. The guerrillas' most important asset is the poor training, indecisiveness, and lack of initiative of the armed forces. The Guatemalan Air Force reportedly recently bombed a mountain top that was alleged to be a guerrilla camp and later learned that it had hit the wrong one. Although this is just one incident, it is indicative of the poor military intelligence system. Earlier this year the air force strafed and bombed a mountain redoubt on the Honduran side of the border. Subsequent reports revealed that the guerrillas had cleared the area prior to the attack.

32. Unlike most of the armed forces, many of the guerrillas are generally well educated, have apparently received good training and, most importantly, they are dedicated to the task of eventually overthrowing the government and establishing a Guatemalan social revolution.

33. [REDACTED] during the recent "quiet" period the guerrillas have been strengthening their organization, recruiting, training, and preparing for action. Statements made by Turcios before his death indicated that the guerrillas were not contemplating immediate action but were ready to take advantage of any opportunity that presented itself. Although they cannot attack the army head-on, they can mount small and effective attacks on various fronts. In the confusion surrounding any attempted coup they could be even more effective in sabotage and harassment.

34. Another guerrilla group, the 13 November Revolutionary Movement (MR13N), is headed by Marco Antonio Yon Sosa, who follows the Chinese line. Strength among this group is believed to have been less than 200 men in the field at any one time. The MR13N has not figured prominently in any guerrilla activity for at least a year. There had been indications that a move to reunite the group with the FAR was under way, but there is no evidence that this has, in fact, occurred. The group's inactivity may indicate that it has either broken apart and merged with the FAR or that it is no longer a movement of significance.

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THE GUATEMALAN ECONOMY IN MID-1966

1. Despite a slackening of retail sales since the inauguration of the new government, the economy is expanding at a pace approaching the 1963-65 growth rate of eight percent. Industrial production has increased by approximately ten percent this year and new private investments have not abated. Agricultural production has been exceptional in 1966 because of abundant rainfall. Nearly all crops were larger in 1966. Production of coffee, the principal export commodity, increased by 26 percent; cotton output jumped 27 percent; corn, the basic food crop, increased five percent; sugar advanced 21 percent while rice production dropped 16 percent. Beans, wheat and vegetables also showed improved harvests. However, preliminary estimates for agriculture for the next 12 months indicate a more normal expansion and in some cases a decline in output.

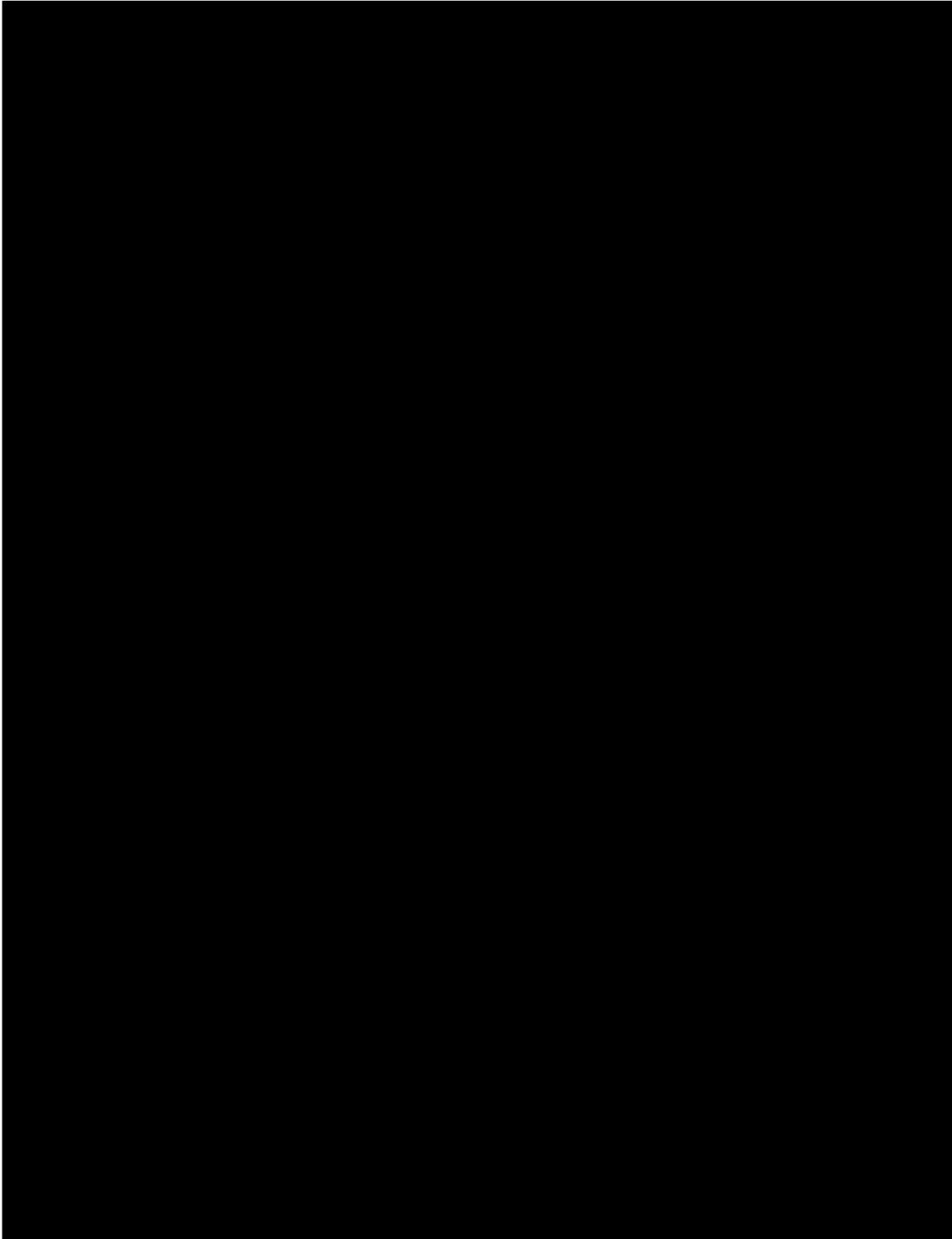
2. There has also been a rise in financial activities in the past six months. Demand deposits have increased 12 percent, reflecting an influx of export earnings and more liberal credit policies of the Central Bank. The bumper agricultural harvest has pushed exports in the first six months of 1966 to 30 percent above the same period in 1965. Imports have grown by only nine percent and net foreign reserves amounted to nearly \$80 million at midyear, more than 70 percent higher than at midyear in 1965. Official capital inflows from US and international lending agencies have risen sharply since the new government assumed power on 1 July. Loans totaling \$8.8 million have been signed, and additional agreements valued at nearly \$22 million are under negotiation.

3. These loans will greatly assist the government in fulfilling its platform of expanded capital investments, despite an increasingly tight fiscal situation. Revenues in the first six months of 1966 have increased less than one percent and remain nearly two percent below budgetary estimates, while current expenditures have risen. It is expected that nearly all of the administration's capital investment program will be financed by foreign resources.



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ANNEX II

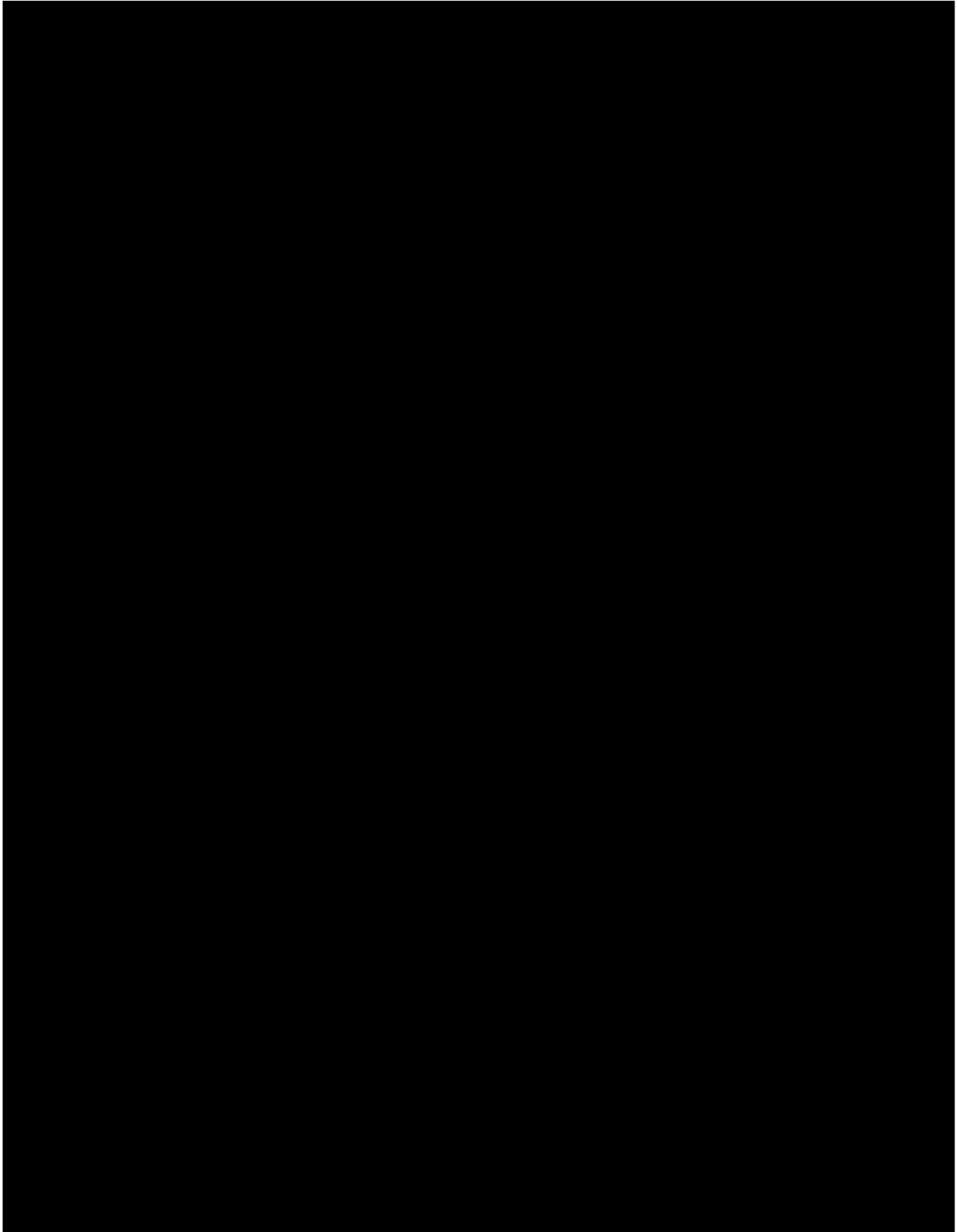


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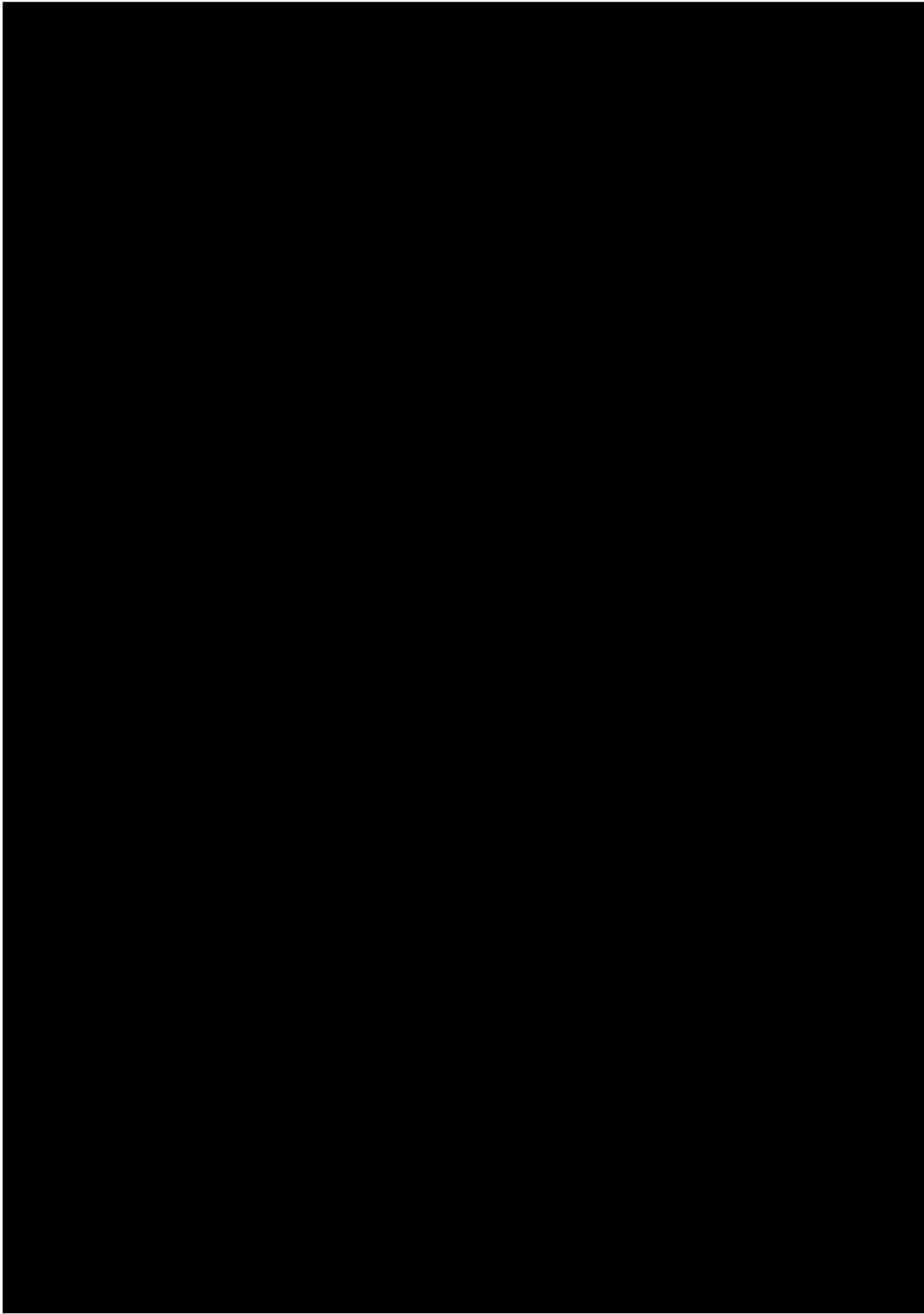


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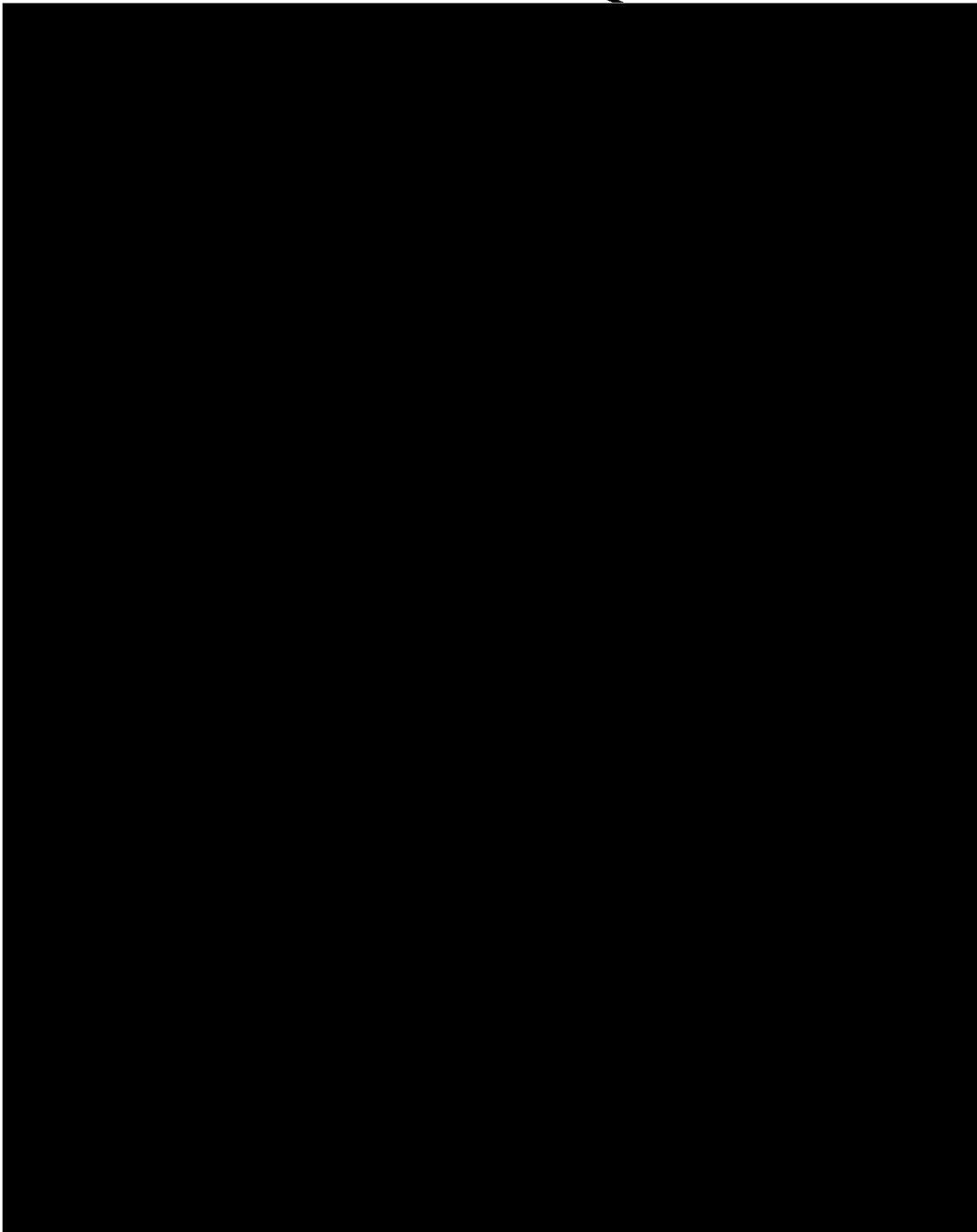


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# GUATEMALA

- · — · — International boundary
- ⊗ National capital
- ⊙ Dependency capital
- ▨ "LADINO CRESCENT"
- Inter-American Highway
- Other road
- + — + Railroad

