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Source, operational data, and comments:

1. Immediate Source of this report is JUBATE.

2. Ultimate Source of report is an alternate director of the Banco Nacional de Guatemala.

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

2003

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Classification

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Subject: Guatemalan Financial Difficulties Report No: [] 115

Date of Information: 16 December 1953

Place Acquired: []

Date Acquired: 13 December 1953

Immediate B

Evaluation: Ultimate C

Date of Report: 17 December 1953

Evaluation 3

Source: Guatemalan Banking Official

1. Financially well-informed Guatemalans foresee the necessity of some manner of currency control by the middle of 1954 because of excessive Government expenditures which now involve a program involving millions of Quetzales. (current exchange: one dollar to one quetzal). The precise nature of the expected control is not known at this time but the seriousness of the situation will require corrective action.
2. Reserves are now approaching the legal limit. A request from the Government in late November or early December of 1953 to the Bank of Guatemala for \$3,000,000 could not be met and only \$1,800,000 was furnished in compliance with the Banking Law. Granting of the entire \$3,000,000 would have decreased the legal reserve limit established by the Junta Monetaria (Monetary Committee).
3. The current Government programs are placing such large amounts of money in circulation that serious inflation is anticipated and a flight of capital is expected by increased withdrawal of funds from Guatemala for deposit and investment without the country.
4. Commercial enterprises see no prospect of securing immediate payment of outstanding Government accounts although there is some discussion Government liabilities may be liquidated by long term Government bonds. It is known definitely the Government currently owes ESSO well over \$750,000 and TEXAS COMPANY approximately \$75,000.
5. Banking circles are impressed American Ambassador PEURIFOY is a strong personality of definite ideas who is well-aware of the extent and danger of the Communist penetration in Guatemala.

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