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CURRENT INTELLIGENCE DIGEST



CENTRAL INTELLIGENCE AGENCY

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LATE AMERICA

27. Comment on the situation in Guatemala: Only limited and relatively unimportant territory has thus far been occupied by the rebel forces of Castillo Armas, and the cities of Puerto Barrios and Zacapa remain under government control, according to an American correspondent who visited Castillo's headquarters in the Guatemalan border town of Esquipulas on 22 June. He reports that local recruiting (sic) by the Castillo forces is slow.

Castillo forces were attacking the city of Chinquimula, about 25 miles in from the border, on 23 June.

Meanwhile, there appear to have been no wholesale desertions from the Guatemalan army and key commanders apparently remain loyal. Rebel air activity has, however, seriously weakened army morale and the army has yet to prove itself in a major engagement.

The chief of staff of neighboring El Salvador informed on 22 June that 2,500 trained army reserves had been called to active service. President Osorio told the American ambassador on 23 June that he was "not too confident" of Castillo Armas' success. He said that if Castillo fails, Guatemala will probably invade Honduras. "If a general Central American war develops," he said, "naturally El Salvador will participate."

28. Uruguay opposes further planning for OAS meeting on Guatemala: In response to a demarche by Ambassador McIntosh on 22 June, Uruguayan foreign minister Pittaluga expressed strong opposition to going ahead with the plans, made prior to the current Guatemalan crisis, for an Organization of American States (OAS) meeting on Guatemala on 7 July. He said that Uruguay may revoke permission to use Montevideo as a site.

Pittaluga stressed the "impropriety" of holding such a meeting while the Guatemalan government is "fighting for its life." He also said that the resolution proposed by Washington

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might violate the Security Council's resolution of 20 June asking UN members not to aid either side. \

Comment: Since the beginning of hostilities in Guatemala, ten countries have agreed to go through with the original proposal, and one of these--Panama--has stated it may propose modifications. A two-thirds majority, or 14 votes, is necessary for action in the 21-member OAS.

Anti-American and pro-Guatemalan rioting and other demonstrations in Uruguay, Chile, Argentina, Mexico and Honduras--none of which countries is included in the ten mentioned above--may increase pressure for having any full OAS meeting discuss threats to hemisphere security in general rather than the particular Communist threat in Guatemala.

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LATE ITEM

5. Guatemalan Army takes over Government from Arbenz:

On 27 June pressure from Guatemalan army leaders forced President Arbenz' resignation and Chief of the Armed Forces Colonel Carlos Enrique Diaz assumed control of the government.

During the afternoon of 27 June Colonel Diaz requested two meetings with Ambassador Peurifoy. In the first meeting, Diaz informed the ambassador that in order to bring the fighting to an end he was prepared to take over the presidency and clean out the Communists from the government. He asked that the United States use its good offices to stop the fighting. In the second meeting, Diaz informed the ambassador that he had just told President Arbenz of the army's unanimous desire for Arbenz' removal from office. Arbenz had replied that he would not try to continue without army support. Diaz gave his word of honor, at Arbenz' demand, not to enter into negotiations with the rebel leader Castillo Armas.

In a ten minute radio speech that evening, Arbenz announced the transfer of power to Diaz. He condemned the United Fruit Company and "U. S. ruling circles" for unleashing the "cruel war against Guatemala" on the "pretext of Communism," but declared that "unless we do away with our powerful enemies' pretext, Guatemala might be destroyed." He promised, however, that under Colonel Diaz "all social conquests will be kept" and asked "all democratic political and popular" organizations to give Diaz their full support. He then expressed the opinion that "the military situation is not difficult, not at all," and that the "enemy, commanding barbarous mercenaries, is incompetent, cowardly."

Following Arbenz on the radio, Diaz appealed for popular support while assuring his Guatemalan listeners that the "struggle against the invaders will continue implacably" and that the "acquisitions of democracy" will be maintained.