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20 February 1954

MEMORANDUM FOR: DEPUTY DIRECTOR (PLANS)

SUBJECT : Compromise of Cable Traffic - PBSUCCESS

1. The Lincoln station advised headquarters on 19 February 1954 that a major compromise of Commo and project security was discovered on or about 17 February 1954 by () replacement with the Castillo Armas group. The following is a chronological report of the compromise as received by WHD from Lincoln:

a. During the week of 15 February 1954, () met () owner of an apartment () formerly occupied () and settled his account. During this meeting, () handed to () the original copies of all messages which have been passed by the Chief of Station, () to () advised that () left these messages in the apartment when he left the country. [] further stated that because of the apparent importance of the information contained in the messages, he had made said messages immediately available to his good friend, [] When [] examined the messages in question, he immediately realized that a serious exposure of Agency cryptonyms and PBSUCCESS organizational methods and procedures had been revealed to at least two known unauthorized persons and probably an indeterminate number of others. He immediately cabled Station Lincoln advising them of the compromise in general terms and indicated that he was departing for Lincoln immediately with the documents in question.

b. Station Lincoln alerted headquarters at 1300 hours, 19 February 1954, by telephone and advised that a courier would arrive at headquarters at 2200 hours, 19 February 1954, with the compromised documents. Lincoln followed the telephone call with cable 612 which indicated that fact that the compromise consisted of 5 pages of slightly paraphrased text containing all basic cryptonyms and pseudonyms applying not only to PBSUCCESS but to the Agency at large. The PBSUCCESS desk made a preliminary examination upon receipt of cable 612 and determined that the compromise involved roughly six cables. It was not possible at that time, however, to determine exactly which cryptonyms had been exposed. When the courier arrived with the compromised messages, [] [] of Commo was called and he and [] desk officer PBSUCCESS, examined the documents together and compiled an

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3. A preliminary analysis of the report by () (attached hereto), otherwise known as (), re the circumstances under which he procured () messages in () clearly indicates the following about ()

a. Specifically as regards the copies of paraphrased cables, he apparently intentionally withheld from the Agency information of what was known to him to constitute a major breach of security directly affecting the security of the project and the security of the Agency. The fact that this was known to him is clearly indicated by his having arranged, while in Washington, without notifying the Agency, the mailing of a letter to (), who is not yet cleared, in () the expressed aim of which was the recovery of the papers.

b. () is completely unreliable, professionally and personally.

4. () has been recalled to headquarters from his home [] He will be given a very thorough and detailed interrogation. The situation cited in paragraph 3a above clearly and painfully indicates that PBSUCCESS may be compromised to a degree heretofore considered beyond the realm of possibility, and further, a large amount of information yet unrevealed may be in the hands of the Arbenz government.

5. It must be kept in mind that the foregoing report is at best a cursory examination of the situation and that a more detailed analysis cannot be presented formally until Lincoln and headquarters have had time to collect and collate all information re this specific incident and [] & general pattern of action since October 1953.

[]

ATTACHMENTS:

1. True copy of compromised messages
2. () report
3. Memo from Security re ()
4. Memo to Security re ()
5. Memo to Security re Compromise of Cryptonyms.

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76. Earman, Memorandum for Rear Admiral Robert L. Dennison,
"Estimate of Situation in Guatemala," 14 January 1952
(Carbon copy)

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Security Information

14 January 1952

MEMORANDUM FOR: REAR ADMIRAL ROBERT L. DENNISON
NAVAL AIDE TO THE PRESIDENT
SUBJECT: Estimate of Situation in Guatemala

The Director of Central Intelligence has requested that the subject memorandum be shown to the President. It is to be noted that the information contained therein has not been coordinated with the members of the Intelligence Advisory Committee.

SIGNED

J. S. EARMAN
Assistant to the Director

Enclosure

Memo dtd 11 Jan 52 (from Col. King, OPC, to DD/P - ER 2-4811)

O/DCI:JSEarman/dr

Distribution:

Orig & 1 - Addressee

2 - Signer

1 - DD/P w/oc of memo of 11 Jan 52 ✓ *CR 16 Jan 52*

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REF ID: A67082

Executive Registry

2-4811

11 January 1952

Noted by DCI

14 Jan 52 - *oe*

MEMORANDUM FOR DEPUTY DIRECTOR, PLANS

SUBJECT: Estimate of Situation in Guatemala

Communist Activities

The Communists continue to be very active in Guatemala and continue to receive Government support. Since the anti-Communist rioting in July 1951 the Communists have softened their overt campaign for immediate action in the political field, but they have forged ahead in the labor movement, succeeding in forming, under the guidance of Vicente LOMBARDO Toledano and Louis SAILLANT, a central labor organization comprising almost all the unions in the country. The Communist newspaper *Octubre* is published regularly and circulates freely. It has devoted its columns to anti-United States propaganda and to trying to aggravate the United Fruit Company's labor troubles. The Guatemalan Communists are small in number, but their influence in both government and labor is substantial.

Anti-Communist Activities

The Anti-Communist Party of Guatemala has been formed since the July rioting and has received strong support from the Catholic middle class and from the Indians. The university students have furnished leadership to form a substantial bloc in the Party. They have requested President Arbens to dismiss the Communists holding positions in the Government, and to expell all foreign Communists. The movement continues to develop in all sections of the country.

Political Situation

President ARBENZ has shown no sign of changing the policy set by ARREVALO as regards Communism. He has stated his opposition to the anti-Communist movement. Ramiro ORDONEZ Paniagua, leftist Minister of Government, has recently resigned and been replaced by Ricardo CHAVEZ Mackean. CHAVEZ is generally regarded as an anti-Communist. However, on 4 January 1952 he announced that the government had decided to ban all anti-Communist demonstrations. Colonel PAZ Tejada, who had studiously avoided attending all Communist rallies, but who was forced to attend the last one as the representative of President ARBENZ, has been replaced as Minister of Communications by Colonel Carlos ALDANA Sandoval, an Arbens supporter. PAZ Tejada has been placed in charge of the construction of the highway to the Atlantic.

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SECURITY INFORMATION

Economic Situation

ARBENZ inherited a very black economic picture, and the labor trouble and subsequent threat to withdraw from Guatemala by the United Fruit Company has made the outlook even darker.

Activity of Political Exiles

At least three Guatemalan exile groups are plotting against the ARBENZ regime. They are, in probable order of strength:

- a) a group headed by Colonel CASTILLO Armas, former Comandante of the Escuela Militar, and now in Costa Rica, who originally planned a January 1952 uprising. It has been reported that CASTILLO Armas has been offered aid by the United Fruit Company and a Peruvian group, possibly the government;
- b) a group in Mexico headed by Colonel Arturo RAMIREZ who has been in exile since an attempted revolt in 1948. This group may be financed in part by American oil promoters;
- c) supporters of General YDIGORAS Fuentes, unsuccessful presidential candidate of the 1950 elections who is now in El Salvador.

The CASTILLO Armas and RAMIREZ groups have been in contact, but so far no agreement has been reached. If the two groups were to unite, a successful revolution might result.

Conclusions

Communist influence in the Guatemalan government continues to be serious. Rumors persist in Guatemala that President Arbens is ill with leukemia. Efforts to verify these rumors are being made. In the event that ARBENZ were forced to leave his office, Roberto ALVENADO Fuentes, president of the Guatemalan congress, could constitutionally assume presidency. Such an eventuality would further aggravate the situation in Guatemala because ALVENADO Fuentes is a strong Communist supporter having recently attended a Communist sponsored pro-peace meeting in Vienna.

J. CALDWELL KING
SA/DE/P-LA

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