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ROUTING AND RECORD SHEET

Ref 1-5076

INSTRUCTIONS: Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark insufficient) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM: **CIA HISTORICAL REVIEW PROGRAM**
RELEASE AS SANITIZED

TELEPHONE NO.

DATE

22 October 1954

TO	DATE	DATE		OFFICER'S INITIALS	TELEPHONE	COMMENTS
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DD-PP-3008

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22 October 1954

MEMORANDUM FOR: DIRECTOR OF CENTRAL INTELLIGENCE

VIA: DEPUTY DIRECTOR (PLANS)

SUBJECT: Current U. S. Position With Regard to Government Loan Requested by Guatemala and its Possible Effect on CIA.

1. Immediately after the fall of the Arbenz Regime there occurred in Assistant Secretary Holland's office a series of meetings, during the course of which there were outlined a number of actions which this Government should properly take in support of a Sister Republic which had just freed itself of a Communist-dominated government. Among these, the granting of a loan was considered favorably.

2. In recent months, while there has been some execution of the above actions, the matter of the loan has been conspicuous by its failure to materialize. It will be recalled that our Station in Guatemala felt that the situation was so insecure as to make necessary the granting of the relatively modest sum of \$50,000 in the name of SKIMMER. The sum finally requested by the Guatemalan Government had been \$10,000,000; the sum recommended by the Department to FOA was \$5,000,000.

3. WHD is informally advised that FOA is by way of granting a loan of \$1,000,000, which if combined with some other funds already in motion could be represented as something over \$2,000,000.

4. On October 22, [] Consultant, [] in charge of UFCO public relations in New York, advised this office that he had received an alarming message from a key source in Guatemala to this effect:

Ambassador Armour had brought the disturbing news that the FOA would not make the \$5,000,000 grant. It would be a terrific mistake if this State Department request failed to materialize. Because of the Arbenz crowd's looting of the Treasury, past economic practices and the unstable coffee market, the Government is extremely poor and has only enough funds available for current expenses. Without relief, the situation will deteriorate if the U. S. fails to give this aid after all the brave words and promises. The result will be not only damaging to our objectives in Guatemala but will reflect unfavorably throughout the Hemisphere on our prestige.

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5. This situation has been aired in public as will be seen by the attached newspaper report.

6. While WH has not participated in the discussions with regard to the loan, the impression has been gained, perhaps wrongly, that FOA's concern over the granting of the loan stems from economic concepts, whereas it would seem that in large part the need and purpose of the loan is purely political.

7. It will be recalled that in other areas where such a situation existed, this Agency was called on to resolve the matter by covert use of FOA funds. We should therefore perhaps be anticipating a request from appropriate parts of the Government to do something in this connection.

8. With regard to the request for \$50,000 by the Station, Headquarters' current position is as follows:

The Station has been advised that we are not inclined to favor such action; we have nonetheless requested more details and recommendations from the Embassy. Mr. Leddy has been so advised and concurs in our current position.

9. It should be pointed out that the view is probably held in some quarters that the Armas Government could, if it were really in dire straits, obtain a loan from private banking in this country several times the amount recommended by the State Department. WH has heard through Mr. Leddy that Armas' view is that he does not dare saddle his country with another foreign loan for as he has said: "Even UBICO got rid of that." In this connection, it is the opinion of WHD that to force Armas to seek such a loan from private banking would be politically counter-productive and could well raise again accusations of U. S. intervention in Guatemala for economic purposes. It is pertinent to note that our enemies were confounded by our Government's failure to support UFCO in its fiscal differences with Guatemala; this convinced our friends that if we had intervened with regard to the demission of the Arbenz Regime, our purposes were altruistic and political rather than economic; the granting of a loan from private banking could well at this time cause many to wonder whether the Nigger had not finally crept out from under the woodpile.

[]

AC/WH

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