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*Passed to Webb by at
1250 on
21 May by*

I N F O R M A L

21 May 1954

MEMORANDUM FOR RECORD

The following views were submitted by the field on 20 May for consideration by the Department of State.

In taking an overall view of the present Central American situation, it is believed that many present and foreseeable factors warrant Department of State consideration of a prompt and generous U.S. Government aid program for all the Central American countries, including a non-Communist Guatemala when it becomes so. The factors on which this suggestion is based are as follows:

- a. The crises in Mexico over devaluation, which makes that country more amenable to U.S. guidance
- b. Labor unrest in Honduras and the need to strengthen pro-U.S. elements in Honduras prior to the October elections
- c. The conflict between U.S. business interests in Costa Rica and the Costa Rican Government; the animosity between Costa Rica and Nicaragua; and the latent or real aid to the Communists by the Costa Rican Government (this point already being dealt with by the Department of State)
- d. The appropriateness of recognizing Nicaragua's cooperation with the U.S. Government and the advisability of strengthening President SOMOZA's position in Nicaragua
- e. The reluctance of El Salvador in aiding the U.S. Government.
- f. Present difficulties between the U.S. Government and Panama over agreement on matters dealing with the Panama Canal

The above-mentioned factors could be dealt with through early initiation of an Economic Aid Conference, perhaps in Mexico City, attended by representatives of the above six countries and the U.S. Government. The U.S. Government's stipulations for extension of aid would be:

- a. Agreement on an anti-Communist position
- b. Moderation of present Central American rivalries
- c. Equitable treatment for U.S. commercial interests in the area

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Such a conference would accomplish three objectives:

- a. The criticisms voiced at the Caracas Conference about the lack of U.S. aid would diminish
- b. The conference would appear to be the major U.S. answer to the Guatemalan problem, and thus could help conceal present covert activities
- c. With alignment of support for anti-Communism, there will be more rapid, wholehearted Central American endorsement for any new Guatemalan Government should the situation in that country change suddenly

The Conference would have a vacant chair symbolically reserved for the Guatemalans, with a clear or implied statement that an anti-Communist Guatemala could share in the program. This might have a positive effect on public opinion in Guatemala. Also, the conference would provide a strong contrast between such peaceful U.S. Government action and the militaristic aspects of Communism as shown by the recent shipment of arms to Guatemala from an iron curtain country.

Early launching of such a conference could also possibly cushion any unfavorable Central American reaction to extension of aid to Guatemala should the situation in that country change rapidly, since aid to Guatemala alone in such an instance would possibly alienate the other Central American countries, but would seem only logical if the presently anti-Communist Central American countries are offered aid first.

It is suggested that an early convocation (approximately 1 June 1954) of an exploratory conference could be effected which would reap the benefits of being a positive gesture by the U.S. Government, and yet be sufficiently general to avoid controversy. Such a program will probably be necessary anyway even should the present situation in Guatemala change suddenly to the advantage of the U.S.

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