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SUMMARY

1. Although President Arbenz appears to collaborate with the Communists and extremists to the detriment of Guatemala's relations with the US, I am quite certain that he personally does not agree with the economic and political ideas of the Guatemalan or Soviet Communists, and I am equally certain that he is not now in a position where they can force him to make decisions in their favor. The reasons for my opinion are as follows:
 - (a) The President's social reform ideas stem from the US New Deal rather than from Soviet Communism.
 - (b) President Arbenz is still convinced that he is "using" Communists and Communism to further his own ends.
 - (c) He is fully aware of Guatemala's economic dependence on the US.
 - (d) Arbenz has no fear of a conservative coup and has taken no active steps to guard against one.
 - (e) The "opposition" of business groups and conservatives (with the exception of a few landowners) has been greatly exaggerated. This is evidenced by the "surprising" lack of serious concern in most business circles about the effects of the new land reform bill.

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It is my personal fear that the chief threat to the Arbenz regime is a coup by rank opportunists within the "palacé clique" who have sold out to Communist penetration. Such a coup would first assassinate the popular Arbenz, blame the reactionaries for his death, and then proceed to violently wipe out all conservative opposition.

2. Rather than setting up a Communist state, Arbenz desires to establish a "modern democracy" which would improve the lot of its people through paternalistic social reforms. Arbenz' personal idol is F D R and his reforms are patterned after New Deal reforms and adjusted to the backward economy and social structure of Guatemala. None of the reforms are substantially extreme as compared to many of those in the US, Europe, and even in other Latin American countries. The extremities are relative and seem radical in Guatemala only because of the backward feudal situation they are meant to remedy. Also they seem extreme compared to the ineffective piecemeal measures of his predecessor, Arevalo. During Arevalo's term, Arbenz often became angry at his weakness as a chief-of-state and realized that no effective social measures could be implemented while Arevalo was president. Satisfying his ambition to become president himself, and also with a sincere desire to fulfill his promises to his people, Arbenz went to work immediately and impatiently to implement his reforms and, as he put it, "to jar Guatemala out of the Middle Ages".
3. President Arbenz is still convinced that he is "using" Communism to further his own ends and in no sense is he dictated to by Communist elements although he often plays into their hands in his attempts to use them and the Party line of world Communism.
 - (a) When Arbenz came to power he feared a popular revolt more than anything else. He pictured himself as F D R in 1932 and followed what he thought was a similar course, that is, he achieved popular support by relieving some of the immediate economic and social pressure on the very poor at the expense of the very rich. The reactionary group, in which Arbenz had many personal friends, fully expected him to reverse his field once his presidency was assured and forget his reform promises. When it became evident that he was serious about reform, the landowners became quite bitter and opposed him at every turn. The reactionaries immediately turned the Communist spotlight on all reform measures regardless of merit.
 - (b) Sincere about reform and unable to get support for his program from any other source, he found the Party line of international Communism a ready-made tool with which he could organize the proletariat and control the country. Harping on US financial imperialism and on Guatemala's oppressive land system, Arbenz became a popular hero at the calculated price of arousing US indignation. His best emotional appeal to the people was a platform that was anti-US and defiant of US corporate imperialism. Meanwhile the Communist organization which lined up and manifested popular support for Arbenz succeeded in penetrating his government. I am not aware of the extent of this penetration and I doubt that Arbenz is aware of it.
 - (c) The President deals with his subordinates as individuals rather than thinking of them as members of organized groups. Roberto Fanjul, Minister of Economy and a close friend of Arbenz, told me several weeks ago that he was certain that the President's sources of information were always "filtered through a Communist screen". (Fanjul is loyal to Arbenz, I am convinced, but under pressure could not be expected to act effectively in his behalf.) Fanjul feels that Arbenz does not believe the Communists have penetrated far enough to harm him and that he does not realize the extent that the Communists claim his reforms as their own. Arbenz still feels he can carry out his objective of using the Communists without being controlled by them. Meanwhile I would say that eight out of ten of the government officials would swear they are not in favor of Communism but that they are using it for their own purposes.

- (d) Incidentally the President's wife, Maria Christian Villanova Arbenz, daughter of a wealthy family of El Salvador, has far more radically leftist ideas than her husband and expresses these ideas at will. This lady was educated in the US and was raised and spoiled in the luxurious style of wealthy inbred aristocrats. Her socialistic, left-wing ideas are, in my opinion, a definite reaction to this background. So far the President has not appeared to have been influenced by his wife's ideas. One exception to this is in the case of relations with El Salvador. These have been and will remain quite cordial on the top governmental level as long as Arbenz is president.
4. Arbenz realizes that Guatemala is economically dependent on the US but intends to bluff through his defiance of US corporations to any length short of national suicide. An integral part of his program is the removal of Guatemala from the category of a "subsidiary of United Fruit". He is a stubborn idealist who is willing to risk his own wealth and who is able to enlist the support of others to risk their wealth on the gamble of getting national control of Guatemala's fruit, coffee and chicle industries and its mineral and petroleum potential. Sacrifices are to be expected under this program and Arbenz is willing to make them. He feels that any hardships on his people resulting from defiance of US imperialism would be politically offset by its nationalistic appeal so as not to effect the perpetuity of his regime.
5. His goal is to assert the rights of the Guatemalan Government to dictate the terms under which foreign firms shall operate in the country, especially where the exploitation of natural resources is concerned. Knowing that his country will never be a large industrial nation and yet needing a sound economy to carry out his reform programs, Arbenz sees the only answer is expanding production and keeping a larger share of what is produced. Yet he realizes this is not possible without US markets and US capital. He realizes that if prices fell in the US or if US import restrictions barred Guatemala's goods, his country would go bankrupt. Arbenz is determined this will not happen. He can only bluff because he has no place to turn. The one possibility would be the Soviet bloc, which might conceivably finance the country in order to maintain a western hemisphere subversion base. This is one thing Arbenz does not want. He definitely would prefer US domination to Soviet domination. The best example of this is the fact that throughout his bluffing of US interests he has never used the potential weapon of proposed trade treaties with Soviet bloc countries, although it seems logical to assume that such commercial overtures have been made to him. It is my belief that Arbenz will not go that far in bluffing the US. He may, however, bluff too long for the good of his regime.
6. Right now the entire economy is propped up by the price of coffee. A close friend of mine who has been a resident buyer for a US coffee firm for several years told me that if the price of coffee dropped five cents he would get out of Guatemala immediately. The price of coffee is high but the government depends on it to offset some of the losses of the other branches of the economy. Aviateca is bankrupt, several public works projects are in the red, there is trouble in the mining industry and Wrigley stopped buying chicle in the Peten. Despite these reverses, if the price of coffee holds up the regime will stand financially and still carry out most of its social reforms. Yet most of the growers feel that it will take five more years of today's high prices to reach a point where they can withstand a substantial drop in coffee prices. Once the price goes down, only the large growers will be able to hold their land. These will also be able to buy up other lands merely to keep them idle in an attempt to cut down the supply until the prices rise. These tactics would centralize the wealth and starve the workers. These deserted fincas would become overgrown immediately in this climate and if a finca is idle just one year it takes at least five years to put one back into production. In such a situation it would be impossible for the present regime to stay in power.

7. In case of a drop in prices Arbenz still has his oil lands to fall back on, although his use of them as a last resort might come too late politically. He has held up their exploitation so far on nationalistic grounds, holding out for his right to dictate terms for oil exploitation. The government owns most of the oil lands outright and also owns the rights to all underground minerals as only surface rights are included in private titles.
8. Arbenz does not fear overthrow from reactionary groups. When I left Guatemala two weeks ago the President's wife and three children had flown to Washington and from there to Switzerland where the children will be put in school. Someone asked the President if this household evacuation indicated that he anticipated trouble. He denied it emphatically, stating the family had planned the move some time ago (Arbenz' father was a Swiss immigrant). There is little real worry around Arbenz about an anti-Communist or reactionary coup. Arbenz and Fanjul both feel that there are just not enough large landholders who are interested in capable of accomplishing a coup and that they could not line up the other dissident elements. The President has several very close friends in the reactionary ranks all of whom are wealthy and would have less personal gain from Arbenz' overthrow than some of the left-wing government officials. I believe the President is better informed on activities in the rightist opposition camp than within his leftist support groups.
9. The President has not taken the obvious precautions to guard against reactionary revolt. No arms have been distributed to Communist cells or labor groups (at least with his knowledge).
10. Many conservatives have come to view Arbenz as a "moderate" man. Paz Tejada, a staunch reactionary who had once threatened to kill Arbenz, is now on very friendly terms with him. The Communist-inspired agrarian reform bill which was to have met with fierce opposition from all conservative elements has actually been received with surprising calm by business interests and a great part of the landowners. One reason for the relaxing of their fears is the retention of the "last word" power by the President and by the appointment of his private secretary as administrator.
11. President Arbenz, who is constantly aware of the danger of administrative corruption in all reform legislation, has reserved the final authority on reform measures to rest with himself. This relieved the business interests and landholders as it was an indication of a "realistic" approach to land reform. There is confidence that the President himself would veto any attempt to expropriate land which is in active cultivation.
12. This reservation of authority in the case of the new land reform law is viewed as unconstitutional by several elements. [] opinion is that the President's act definitely was unconstitutional. When I advised him of this fact he passed it off to expediency. No one else seemed to take it too seriously.
13. As most landowners are not too worried about having their cultivated land taken away they have also calmed their fears that the opening of new land would diminish their coffee labor force. It is pretty well agreed among the landowners that the Indians will not take on the extra labor and risk involved in leaving their communities and a steady source of food to take the chances involved in clearing and planting uncultivated, inaccessible land.
14. There may be a slight temporary shortage of auxiliary part-time help, but those that work and live on the fincas will probably not leave. [] there are 35 families living there permanently. During coffee harvest about 80 more workers are recruited in the hills. These hill people are more or less independent but all envy the life of the workers on our finca, for whom we provide shelter and a year-round source of food. The finca dwellers feel they would be fools to leave and try working a strange plot of land. They would lose their place on the finca and risk crop failure on the government land, which would mean they would have to give it up. There is no entrepreneurial spirit among the native workers.

Possibility of a Left-Wing Coup Against Arbenz

15. I believe that the regime is in no danger from a conservative coup but may possibly be in danger of a plot to send Guatemala violently to the left. This will not be possible while Arbenz is President, but there are many opportunists around Arbenz whose personal ambitions outweigh any political convictions. I personally am afraid of a "palace coup" which would accomplish the assassination of the popular Arbenz by the plotters who would blame the killing on reactionary elements. They would use this "outrage" as an excuse to violently "suppress a rightist's revolution" and inaugurate a "peoples' democracy" in Guatemala with themselves at the head.
16. These opportunists of whom I speak are such that they could be, and may already have been, approached by the Communist organization in Guatemala. The man I feel would be most capable of this is Alfonso Martinez, recently appointed by Arbenz to head the government department charged with administering the new land reform law. He is a fat, jovial, extrovert who has succeeded in gaining the complete confidence of Arbenz and who has acted as the President's personal secretary. It was the President's desire for direct personal supervision that prompted him to appoint Martinez to head this important department rather than a tendency to repudiate the known left-wing advocates of the bill, such as Charnaud MacDonald. This appointment was viewed with relief by the business and coffee growing interests. This view is correct as long as Arbenz is president, but the reform machinery has now been set up and with someone else as president who is of more leftist orientation or under actual Communist control, the situation would be radically different. Martinez' recent, though nominal, promotion, his position close to Arbenz, and his greed for power make him an ideal target for Communist penetration. Another opportunist is Charnaud MacDonald, of whose political activities I know very little. It is my opinion that he does not enjoy the President's complete trust.
17. Incidentally, the health of the President is excellent, although he has lost about 20 lbs in the past few years. He is quite robust and active. He enjoys recreational sports, especially swimming and horseback. His morale is also excellent.

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