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MEMORANDUM FOR: DIRECTOR OF CENTRAL INTELLIGENCE

VIA: Deputy Director of Central Intelligence *Has seen.*
Deputy Director (Plans) *Has seen.*
Assistant Director for Special Operations

SUBJECT: General Situation in Central America

1. Between 6 and 18 May, Havana, Panama, San Jose, Managua, San Salvador and Mexico City were visited, and [] from Guatemala was met outside his country. Although most of the following information has been reported piecemeal and in greater detail by [] a review of the highlights of the Central American situation as a whole may afford a clearer picture of the problems ahead.

2. The leading leftist candidate to replace President Ulate of Costa Rica in 1953 is Figueres, head of the Social Democratic Party. It was reported that he intends to win the presidency either by legal elections or a resort to arms. He is in debt \$1,000,000 to groups supporting his candidacy, and this is given as one of the reasons why he must win, by fair means or foul.

3. His next door neighbor, President Somoza of Nicaragua, is informed of Figueres' plans. Somoza says he will not permit himself to be caught in a squeeze-play between leftist governments in Guatemala and Costa Rica but will take steps to prevent any such occurrences. If Somoza does not recover his health, there is no one of his caliber in Nicaragua to replace him. A leftist opposition group could easily take over.

4. The government of Guatemala recently furnished covert military aid in the form of 1,500 rifles and corresponding ammunition to a group in Honduras which is planning to overthrow the rightist pro-U.S. regime of President Galvez and ex-Dictator Carias. Galvez and Carias are aware of the arms shipment and have said that they have the situation in hand.

5. Opposition to the Communist-infiltrated government of Guatemala has increased within the country since the passage of a decree expropriating the property of many of the landowners and offers an

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excellent opportunity for a psychological warfare campaign during the next six months. Anti-Communist Guatemalans in exile will probably attempt to overthrow the Arbenz government soon after the end of the rainy season, which normally terminates in December, unless a peaceable change has been effected by forces within Guatemala. One danger in delay by the revolutionaries until next year is the attainment of a compromise agreement between the landholders and the Arbenz government, which will lessen the current resistance movement.

6. The one country in this group where indications are generally favorable from the United States' point of view, is Mexico. There has been a noticeable swing to the right in the past year, and it is expected the next President will be more active against the Communist Party and its members than any preceding ones. This is not because of any change in the basic ideology, likes and dislikes of the Mexican people but may be attributed to the opportunism of Mexico's corrupt leaders.

7. Panama, as usual, is overrun with rumors of forthcoming trouble. Many of these seem to be spread by the opposition to Remon in order to create an atmosphere of uncertainty which they believe will favor their objectives. There are reports of gun-running by opposition groups and unsubstantiated predictions that Remon will not remain in power more than 120 days. There are conflicting reports about his health, some to the effect he cannot live out the year. He has no strong lieutenant to step into his shoes.

8. Adding to the general instability of Central America are three other factors: vicious anti-U.S. propaganda being spread on a major scale by Argentina's labor attaches, gun-running from Mexico, and the anti-U.S. activities of the Communists.

9. Of the three, the all-out Argentine propaganda attack against the United States seems much the most dangerous in all countries except Guatemala. In a small country such as Nicaragua there is reliable evidence that \$100,000 has been spent by Argentina in a three-month period for the sole purpose of attacking the United States. In Panama, Costa Rica, Nicaragua and Mexico the American

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Ambassadors express themselves as more concerned over Argentine propaganda than that emanating from Moscow. This is a development of the last year, which has been intensified since January. Argentine activities unquestionably give support to the plans of all anti-U.S. groups, Communist and other. The line followed is Marxist and is difficult to distinguish from Moscow.

10. The Communist Parties of Central America, with the exception of Guatemala, each consist of a few hundred members. To these must generally be added several thousand followers. There is little or no proof of outside direction except through members who make periodic visits to Moscow. As is usual with the Communist Parties of Latin America, they are chronically short of funds, but in spite of this they have been able to capture such a key country as Guatemala. We have one high-level penetration, in Costa Rica, a low-level one in Panama, a doubtful one in Nicaragua; the one we had in El Salvador was lost when he moved to Honduras, and in Guatemala we have a Spanish Republican who, although not a Party member, furnishes information on Communists.

11. The sale of arms by Mexico to revolutionary groups throughout the Caribbean adds to the instability of the area. We recently have assigned one man exclusively to an investigation of these sales. Although we know that they are being made, we are not yet informed how they are shipped, to whom and for what purpose. Reports so far indicate shipments have gone to the Guatemalan Government, the leftist group of Costa Rica, the Accion Democratica of Venezuela, some to unknown groups in Panama and some to Somoza.

12. In Mexico we are engaged in the most important operations of this Agency in Latin America. There are only four cities with top priority targets: Mexico City, Buenos Aires, Montevideo, and Caracas. The first two have USSR Embassies, the second two have USSR Legations. In Mexico there are Czech and Polish Embassies, and in Buenos Aires all the satellites are represented except Albania. While Buenos Aires has the largest number of installations of interest, it is the city where operating conditions are much more difficult than anywhere else in the territory of the Division. The only city where such progress has been made as to justify the hope of success within the next year is Mexico. In Mexico we are informed

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of most Czech operations and within 60 days we expect to know of many Polish plans. [] is conducted against the Soviet Embassy, and it is believed that this, coupled with extensive information from the Poles and Czechs, will place us in an ideal position to take advantage of any crack, any weakness, in the Soviet armor. Possibility of a physical penetration of the Soviet Embassy is so remote as to make it unworthy of consideration. To all intents and purposes the Embassy is a fortress where physical surreptitious access would be possible only by tunneling from without. Even if one should gain access, there are still so many barriers between that point and the major target, it is highly unlikely one could enter undetected.

14. In Panama a meeting was held with Chief of Staff and Director of Intelligence of USARCARIB for the purpose of reviewing our responsibilities. A staff study on this is in the course of completion and will limit or amputate four of the secondary objectives now assigned [] It will also permit CIC to continue in its true counterintelligence aspect, with proper co-ordination with CIA. The relationship between CIA and CIC and their relative responsibilities was so confused that there was the danger of this Agency finding itself saddled with responsibilities beyond its capabilities.

[] exclusive of DTROBALO. Its priority targets are two, the penetration of the Communist Party -

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currently unsatisfactory, and travel control. Tocumen Airport is the crossroads of Latin America. Most travel by air to Central America, the north and west coasts of South America, and some travel to the east coast goes through Panama. This, combined with the unique facilities available for [] [] makes Panama the indicated place for an attempted access [] material of interest.

[J. C. KING
CWH]

WHD/JCK/cvs

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