

CIA HISTORICAL REVIEW PROGRAM ~~SECRET~~
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2003

22 July 1954

MEMORANDUM FOR: DEPUTY DIRECTOR, PLANS
SUBJECT

: Memorandum of Conversation with Mr. Joe Montgomery
and Mr. Thomas Corcoran of The United Fruit Company
Present at meeting on 22 July were Mr. Montgomery,
Mr. Corcoran and Col. King.

1. Mr. Corcoran opened the conversation by saying that Mr. Montgomery had just arrived from Central America and would like to report on recent events and his observations.
2. Mr. Montgomery said:

A. He had reached a satisfactory settlement with the United Fruit Co. workers in Honduras, and that this would remain in effect until the new government, which will take office in January 1955, passes certain proposed social legislation. The period of tranquility is estimated at approximately one year.

B. President Galvez showed himself to be a man of courage with considerable iron in his backbone during the critical period after the uprising began in Guatemala. While the outcome was in doubt he strongly resisted all pressure to turn against Castillo. Galvez is now feeling very happy and much relieved. Valenzuela, the Foreign Minister, was weak and of no help at all.

C. Somoza had planned to move against Figueres immediately after Castillo's success in Guatemala and was only prevented from doing so by Washington. He still intends to move at a more opportune moment.

D. Montgomery saw [] in Guatemala City on the 13th and found him much disturbed about the future because of:

(1) In his opinion Castillo was not acting promptly enough in the appointment of his people to key positions. In particular he was delaying too long in selecting the head of the Security Police. It was only after Montgomery went to Peurifoy at the request of [] and Peurifoy

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in turn spoke to Castillo, that Col. Mendoza was made the head of the police. Col. Mendoza is considered an excellent selection.

(2) The fact that almost all the leading Commies were successful in taking asylum in the Mexican and other embassies instead of being caught and thrown in jail, is considered a threat to future stability. There is talk of a clandestine radio in the Mexican Embassy being used for their purposes.

(3) There is no criticism however, of the speed with which the minor Commies were rounded up nor with the number who are in jail.

E. Mr. Montgomery said he had heard that Col. Monzon was considered a good man although [] had some doubts about him.

3. Mr. Corcoran then got to what I am sure was the main reason for today's visit. He said he had never seen anything more ill timed than the announcement of the anti-trust suit against the United Fruit Co. as it weakened their bargaining position with the Hondurans since it was announced prior to the settlement of the strike, and would undoubtedly make things more difficult in Guatemala. He compared the suit against the Fruit Co. at this time with the breaking up of the old Austro-Hungarian Empire when there was nothing good to replace it at the end of World War I. He indicated that the breaking up of the Fruit Co. would leave a chaotic situation. He wanted to know what guidance could be given to Mr. Montgomery because of the political importance of all this in Central America, and Mr. Montgomery added that he would like to know if the Fruit Co. were considered expendable. They had heard on the Hill, prior to the up-rising in Guatemala, that CIA would bring about the fall of Arbenz and then see that the blame fell on the Fruit Co. I replied that the first I heard of the anti-trust suit was when I read about it on the front page of the Washington Post, that nothing had come to me since, that I was sure CIA had nothing to do about it, and I did not believe the Fruit Co. was considered expendable. I asked Mr. Montgomery whether he still planned to carry out various of the steps he had promised to make in Guatemala if a democratic government came into power. He replied that such was still his intention, and among other things he had in mind turning over the railroad. However, he did not wish to do this in such a way that everyone would say the Fruit Co. was responsible for the revolution, and that he was awaiting an invitation initiated by Castillo to discuss arrangements. Another step would be to give Guatemala an increased share of the profits. I stated that since he was in a frame of mind to be on the giving rather than the collecting end I did not see why he was too concerned about any charges of complicity in the revolution because it would appear more natural, if that were so, for them to be receiving rather than turning over the railroad. I said that there was a recent cartoon (and described

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the one of 10 days ago,) about second chances, and that this seemed the opportunity they had long been waiting for to do things with a reasonable government which we all hoped that of Castillo's would be. Mr. Montgomery agreed and said he felt that the outcome could build up a much more favorable impression of the Fruit Co. in the Caribbean. Mr. Corcoran then said he had not been able to find out who was responsible for the suit, that Henry Holland said he had nothing to do with it, the Secretary of State said he was not responsible, that others with whom he talked all declined to accept responsibility. I said that I had no idea who was behind it except that I wished to repeat I was quite certain the Agency had nothing to do with it because this was not our business, and that if he wished to discuss the political implications in other countries I felt the proper place to make his facts known was with the Department of State.

[
J. C. KING
Chief, WH
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