

RS#01: Background on the Guatemalan Coup of 1954

Read the background on the Guatemalan coup, and complete the chart and questions at the end of the reading.

In the late 19th and early 20th centuries, Latin American governments were characterized by economic policies that allowed for liberal foreign investments from wealthy countries like the United States. Military dictators led a number of these Latin American governments. The United Fruit Company (UFCO), an extremely successful American owned and run company, profited greatly from investments it made in Guatemala. The business of United Fruit was bananas, and from bananas it had built a business empire in the Central American nations of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama.

The United States government was also interested in bananas, and had sponsored initiatives to promote the fruit in the American diet. Guatemala became known as a “banana republic,” a disdainful term for poor, developing countries that relied on a single cash crop, such as bananas, and were ruled by corrupt governments. Under the Guatemalan dictator Jorge Ubico, the United Fruit Company gained control of 42% of Guatemala’s land, and was exempted from paying taxes and import duties. Seventy-seven percent of all Guatemalan exports went to the United States; and 65% of imports to the country came from the United States. The United Fruit Company was, essentially, a state within the Guatemalan state. It not only owned all of Guatemala's banana production and monopolized banana exports, it also owned the country's telephone and telegraph system, and almost all of its railroad track.

The United Fruit Company was well connected to the Eisenhower administration. Secretary of State John Foster Dulles and his New York law firm, Sullivan and Cromwell, represented the company. Allen Dulles, the director of the Central Intelligence Agency (CIA) and brother of John Foster Dulles, had served on UFCO's Board of Trustees and owned shares of the company. Ed Whitman, the company's top public relations officer, was the husband of Ann Whitman, President Eisenhower's private secretary. Ed Whitman produced a film, *Why the Kremlin Hates Bananas*, which depicted UFCO fighting on the front line of the Cold War. The company’s efforts paid off. It picked up the expenses of journalists who traveled to Guatemala to learn its side of the crisis, and some of the most respected North American publications, including the *New York Times*, *Christian Science Monitor*, *New York Herald Tribune*, and *New Leader*, ran stories that pleased the company.

The Guatemalan Revolution of 1944 forced the resignation of the right-wing dictator, Ubico, who by then had ruled the nation for 13 years. The country held what many believed was the first true election in its history, popularly electing Dr. Juan Jose Arévalo to the presidency. A new constitution, based on that of the United States, was adopted. Arévalo, a liberal politician and educator, built over 6,000 schools and made great progress in education and health care. Arévalo was followed by Colonel Jacobo Arbenz, who became president in democratic elections in 1951. After Arbenz came to power, he extended political freedoms, allowing Communists in Guatemala to participate in politics. In a country of three million people, only 4,000 were registered as Communists; however, with the Cold War in full force, the United States was extremely concerned with the decision so close to home in the Western Hemisphere.

The United States became further alarmed after President Arbenz proposed “Decree 900,” to redistribute undeveloped lands held by large property owners to landless farmers, which constituted 90% of the population. The United States likened this land reform policy to that enacted by Communist regimes. By 1952, Arbenz had expropriated (taken from its owners) 225,000 acres and made them available to rural workers and farmers. At the time, just two percent of landowners owned 70% of useable agrarian lands, and farm laborers were kept in a form of debt slavery. The biggest obstacle to land reform in Guatemala was the United Fruit Company. While the government compensated property owners for the expropriated lands, United Fruit believed the compensation was not enough. The company demanded to be reimbursed for the full market value of the land, while the Guatemalan government was only willing to pay according to the worth of the land claimed in May 1952 tax assessments. This was problematic because United Fruit, like other big companies, had understated the value of the land to reduce its tax burden. The Guatemalan government was able to seize 40% of the land held by the giant corporation at little cost.

United Fruit felt that Arbenz was challenging it politically and financially. The company began a massive anti-communist propaganda effort against Guatemala in the U.S. press. The Eisenhower administration was also alarmed by the policy direction of the Arbenz government. Eisenhower did not want to intervene directly in Guatemala, however, to avoid the impression that the United States would attack a Western Hemisphere ally. Additionally, Eisenhower had vowed to reduce Cold War military spending. Instead, the United States utilized the newly created Central Intelligence Agency to launch a covert operation to remove Arbenz. The CIA was created, in part, to conduct espionage missions around the world. The Guatemalan operation was known as “Operation PBSUCCESS.” In 1952, two years after the election of Jacobo Arbenz, the CIA began recruiting an opposition force to overthrow him. Looking to the Guatemalan military, the CIA chose a disgruntled, anti-Arbenz officer, named Carlos Castillo Armas, to lead the operation.

On June 17, 1954, with the support of the U.S. government and the CIA, Armas launched an invasion. The invading forces numbered only 150 men, but the CIA had convinced the Guatemalan public and Arbenz that a major invasion was underway. The CIA set up a clandestine (secret) radio station to broadcast propaganda messages, jamming Guatemalan radio signals. Skilled American pilots were hired to bomb strategic points in Guatemala City. U.S. personnel flew the invasion aircrafts and filled the airways with bogus transmissions, adding to the impression. The CIA used spies within the Guatemalan military and government to actively undermine President Arbenz's authority, demoralize his supporters, and block efforts to defeat Armas.

Unaware that the CIA was orchestrating the military coup against him, Arbenz turned to the U.S. government for help, placing his faith in a so-called ally that stated it was committed to advancing and spreading democracy. On Sunday, June 27, 1954, President Jacobo Arbenz resigned from office and fled Guatemala. The CIA replaced him with a military dictator, Colonel Carlos Castillo Armas, whom the CIA designated the “liberator” of the Guatemalan people.

Adapted from: La Feber, Walter. *America, Russia, and the Cold War, 1945-1996*. 8th ed. America in Crisis. New York, New York: McGraw-Hill Companies, Inc., 1997. 152, 157-159,

<http://www.pbs.org/frontlineworld/stories/guatemala704/history/timeline.html>

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Major Players	What does this player want in Guatemala, why do they want it, and how do they get it?
The United Fruit Company	
President Jacobo Arbenz	
President Eisenhower's Administration	
Colonel Castillo Armas	