

# **The United Fruit Company Instigates a Coup in Guatemala, June 18, 1954**

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Owners of the United Fruit Company prevented agricultural reform in Guatemala by manipulating the Central Intelligence Agency into overthrowing the government of Jacobo Arbenz Guzmán

## **Key Figures**

Carlos Castillo Armas (1914-1957), president of Guatemala, 1954-1957.

Juan José Arévalo Bermejo (1904-1990), president of Guatemala, 1945-1951.

Jorge Ubico Castañeda (1878-1946), president of Guatemala, 1931-1944.

Allen Dulles (1893-1969), director of the Central Intelligence Agency (CIA), 1953-1961.

John Foster Dulles (1888-1959), U.S. secretary of state, 1953-1959.

Jacobo Arbenz Guzmán (1913-1971), the president of Guatemala, 1951-1954.

Henry Cabot Lodge (1902-1985), a United States senator, 1937-1944 and 1947-1952, and the U.S. delegate to the United Nations, 1952-1960.

## **Summary of Event**

Jorge Ubico Castañeda was president of Guatemala between 1945 and 1951. His corrupt regime was supported by his own aristocratic land-owning class and foreign-owned agribusinesses, corporate giants that owned huge tracts of land in Guatemala and would go to any length to keep their foothold in the country. Ubico allowed major landholders in Central America, such as the United Fruit Company (UFCO), to operate without taxation and with almost

total freedom. Despite Ubico's violent excesses in repressing the reform movements in his country, the United States government was complicit in maintaining the status quo, contributing financially to the military establishment. Ubico was forced out in 1944, and his almost primitive regime was followed by the more socially responsible governments of Juan José Arévalo Bermejo and Jacobo Arbenz Guzmán.

Arévalo introduced several reforms, including a social security program, better rural education, and open elections. He supported agricultural cooperatives to help the peasants, who could not sustain themselves on their tiny plots of land. It was inevitable that demands for social reform would lead to negative feelings toward foreign-owned giants such as UFCO and its affiliate, the International Railway of Central America. When Arbenz announced plans for a new highway, the railway feared the loss of its transport monopoly. United Fruit and other agricultural firms were vulnerable.

On June 27, 1952, Arbenz instituted an agricultural land reform act that appropriated land from farms that had more than 223 uncultivated acres. Under Decree 900, the confiscated land was to be distributed to needy peasants in parcels of 42.5 acres. This would permit them to support their families without being forced to work for large and unscrupulous landowners for unfairly low wages. During the program, which lasted for 18 months, about 1.5 million acres were distributed, with 100,000 families receiving the coveted plots. The owners received more than \$8 million in payment for the land.

The United Fruit Company had been permitted to claim a deflated value for its land in order to decrease its tax liability; it was this rate that was used to determine the payments for appropriated land. At \$2.99 an acre, the company thought this unfair and asked the U.S. State Department to intercede. The State Department demanded \$75 an acre; outraged, Guillermo Toriello, Guatemala's foreign minister, rejected the State Department's demand.

The United States was troubled by other developments in Guatemala. There were a large number of exiled communists from South America living in Guatemala and other Central American countries. Arbenz used the talents of some of these educated communist expatriates to administer his agrarian reforms. The United States pressured Arbenz to expel them from his

government, but he flatly refused. The United States had also interpreted an arms shipment to Guatemala as proof of a communist conspiracy to infiltrate the area. In addition, in response to the anti-communist influence of Senator Joe McCarthy, Americans feared communist plots in every corner, including the Central Intelligence Agency (CIA) and Hollywood. The CIA felt it needed to take steps to demonstrate its loyalty.

Several owners of UFCO occupied positions of power in the United States government. These included the Dulles family as well as the Lodges. John Foster Dulles was the secretary of state, and his brother, Allen, was director of the CIA. The CIA was directed to put into action a plan known as "Operation Success," meant to protect the interests of United States corporations and prevent the expansion of communist control in Central America. In other words, the CIA was to bring about a coup in Guatemala.

In June 1954, in a plot orchestrated by the United States, Guatemala was invaded by Honduran insurgents. Aircraft owned by the United States and by the United Fruit Company bombarded the capital, Guatemala City, and the port of San Jose. The city did not have the means to defend itself properly.

On the political front, the United States also conspired against the Guatemalan government. Henry Cabot Lodge, the United States' delegate to the United Nations Security Council and a member of the Lodge family with interests in UFCO, presented a motion to remove the Guatemalan "affair" from consideration in the council. He recommended it be arbitrated by the Organization of American States, politically controlled by the United States. The Soviet Union vetoed Lodge's motion, claiming the Americans were simply trying to rid themselves of a recalcitrant government.

In an attempt to restrain Lodge and his cronies, France presented a resolution demanding a truce and restricting Security Council members from any further involvement in the dispute. The resolution had no effect on the conflict, and on June 27, 1954, Arbenz capitulated live on Guatemalan radio.

In a first step to regain control of Guatemala, the United States replaced Arbenz with Carlos Castillo Armas. The confiscated lands were once again in the hands of the foreign corporations, and labor unions were banned. Not surprisingly, there was widespread violence as workers fought vainly to maintain the reforms gained during the Arévalos and Arbenz years. Once again, the United States supported a military response to suppress the

opposition and restore order. For many years, the military managed to maintain a government protective of foreign investments.

### **Impact of Event**

The events in Guatemala had several consequences for the economy of the Western Hemisphere. The United States had sought two outcomes when it instigated the coup: the return of UFCO lands and the removal of communist influence in Guatemala. They were well rewarded. In a new negotiated agreement, all of the confiscated lands were returned to UFCO, and a new tax plan was worked out to the benefit of the conglomerate.

Another consequence of the coup was the banning of union activities. President Armas canceled the licenses of 533 union locals supporting the rights of banana workers; he also banned all other unions having an economic relationship with UFCO, such as the railway workers. Union organizers on UFCO farms were killed; the violence effectively curtailed any organized resistance to the new policies.

Perhaps the most important consequence of the coup was the emergence of an intense hostility on the part of Guatemalans toward the new government and toward the United States' involvement in the whole affair. The new government and the UFCO--the *frutera*--were regarded as evil by the people of Guatemala. As might be expected, the hostility led to the rise of outlaw guerilla groups seeking to oust the new regime.

Not surprisingly, the social and economic situation in Guatemala declined drastically. Land ownership was once again skewed in favor of a few large property-owners. By the early 1990s, 80 percent of the land was once again owned by 2 percent of the farmers; small landowners were unable to support their families on their meager and infertile plots of land. As a result, the farmers were forced to work on the big plantations, many living with their families in the fields, susceptible to the negative health effects of liberally-applied chemicals.

As the rural population fled the harsh conditions and low wages of the plantations, there was more labor available in the cities. Unfortunately, the financial instability deterred investment that would enable the government to take advantage of this large labor surplus. Social programs and infrastructure could not keep pace with the burgeoning urban population.

Deprivation and poor living conditions were the norm in cities as well as on farms.

Guerrillas were determined to sabotage the activities of the large agribusinesses and to deter new investment. More and more, fuel and food had to be imported, sending Guatemala's economy into a downward spiral; its foreign debt climbed even higher.

Agricultural products continue to constitute 75 percent of all Guatemalan exports. Despite adverse markets during the 1990s for UFCO's products, tax benefits and readily available cheap labor continued to make the Guatemalan farming industry profitable for foreign investors. Because of the large tax benefits awarded to the agribusinesses in the wake of Operation Success, it was not possible to establish a large enough tax base to allow for investment in social or educational programs for the local population.

Guatemalan agriculture once again operated under a backward system of *latifundio/minifundio*--large farm/small farm. In 1989, fully one third of all Guatemalan families did not earn sufficient income from their farms; in that same year, the minimum daily wage was only \$1.20 for farm labor and \$1.70 for all other jobs. This reduced much of the population to extreme poverty as a daily minimum of \$5 was needed by a family to survive.

There were other disturbing statistics as well. Economic growth, slowed from almost 5 percent in the years immediately following Operation Success to almost zero. Foreign debt rose, increasing from \$51 million in 1960 to more than \$3 billion by the early 1990s. The nations of Europe and North America were experiencing downturns in their own economies, and foreign aid to Guatemala and other Latin American countries declined. Until Guatemala experiences a true reform movement and a lessening of the stranglehold that foreign companies have on the country, improvement in the social and economic plight of the people of Guatemala is unlikely.

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