

# || CHAPTER THIRTEEN

## MAKING OUR BED IN CENTRAL AMERICA: PART I

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FOR ALMOST a century now, the sight of a United Brands Company (until 1970, United Fruit Company) ship in a Caribbean harbor has been pretty common. But the two United Brands freighters that lurked off Cuba's Playa Giron on April 17, 1961, weren't there for the usual load of bananas. In fact, their mission was so extraordinary that it remained a classified military secret until Thomas McCann, a retired corporate vice-president for public affairs at United Brands, published his memoirs in 1976. Neither the government nor the company has challenged his account of how the freighters became warships that day.

Playa Giron—Giron beach—lies on a body of water called the Bahia de Cochinos—the Bay of Pigs. There, from April 17 to April 20, 1961, Cuba won what most Cubans regard as the most heroic military victory in their history—maybe in all of Latin America's history. The little island nation of about 6 million people (today around 10 million) overwhelmed and wiped out an invasion force sent by the world's mightiest country.

On that beach at Giron (pronounced "here-own"), the leadership of Fidel Castro was ratified, and his popularity insured. The Latinos had finally put it to the gringos. Whatever economic hardship Castro's inefficient socialist system would bring to Cuba in ensuing decades, Castro would continue to breathe strength and life from the glory of that triumph. Twenty years after the fact, it remained the most popular subject in Cuba for slogans on signboards and T-shirts. More often than you saw "Coca-Cola" in the United

States, you saw "Giron" in Cuba. And it was always displayed with pride. The U.S. had delivered Castro a power he never could have bought—a legitimacy he could have won no other way.

Actually, there were only about 1,500 invaders at the Bay of Pigs, and they were all Cubans. But they were recruited, organized, maintained for a year, trained, thoroughly armed (even with an air force), transported, and directed by the U.S. Central Intelligence Agency. When squabbling broke out at the training camps between supporters and opponents of the former dictator, Fulgencio Batista, the CIA imposed order. Cubans seeking power could only vie for influence with the CIA command.

Since U.S. taxpayers supported the operation so generously, one might wonder why the invasion relied on transport ships that were on loan from United Brands, a private, profit-making enterprise. But when you think about it, this arrangement was only fair. The whole CIA had been on loan to United Brands for years. The loan of a couple of company ships in return was the least the taxpayers could have expected after paying for United Brands' coup d'etat style of trade.

To this day, United Brands is part of a business lobby opposing improved relations with Cuba until Cuba pays the claims of 979 U.S. companies whose property was seized by the Cuban government. United Brands is third on the list, with a claim of \$85.1 million.

Of course, the military use of United Brands' freighters wasn't known to the taxpayers at the time of the Bay of Pigs invasion. Nor was the extent to which the company disgraced the U.S. flag it carried throughout Latin America. United Brands had a shiny, cheerful public face, in the person of its ubiquitous trademark, Chiquita Banana, a banana-shaped, miniskirted Latino cutie who sang and danced on radio and television. Kids played with Chiquita Banana dolls, and the first nutrition lesson most Americans learned, as conveyed in the last line of Chiquita's song, was "never put bananas in the refrigerator."

What a comedown, then, to learn that back in 1954, for example, the CIA had accepted and carried out a proposal from Chiquita to overthrow the Guatemalan government, which was the only democratically elected government Guatemala had ever had. Chiquita and the CIA replaced that government with thirty years (and still counting) of bloodshed under a series of almost barbaric right-wing dictators. The U.S. taxpayers continue to fund these regimes under the recurrent threat that if they do not, the Guatemalan people will fall prey to the evils of communism. That was the same line United Brands sold the country back in 1954.

THE elected government we overthrew then was run by Jacobo Arbenz. As a captain in the army a decade earlier, in 1944, Arbenz had helped lead a coup that toppled the long-standing right-wing dictator, General Jorge Ubico.

Arbenz and the other junior officers who took over looked about for a new leader, and settled on a college professor, Juan José Arevalo, who had been living in exile in Argentina for fourteen years.

Under Professor Arevalo's rule, political parties were formed and contested elections were held. In 1945, Professor Arevalo was inaugurated as Guatemala's first popularly chosen leader. He proceeded to fashion a welfare state along the lines advocated by his hero, Franklin Roosevelt. Roosevelt, he said, "taught us that there is no need to cancel the concept of freedom in the democratic system in order to breathe into it a socialist spirit."

At the time of the 1944 coup, Guatemala's economy was almost entirely agricultural. A mere 2 percent of the landowners owned 72 percent of the land. Ninety percent of the landowners were confined to 15 percent of the land. Peasants paid taxes by putting in 150 days of labor. Illiteracy was 75 percent among the general population and 95 percent among Indians. Life expectancy was fifty years for whites, forty for Indians.\* United Brands made a lot of money.

Professor Arevalo moved to adopt a social security system like Roosevelt's, and a labor law modeled after the Wagner Act. Unions were authorized, child and female labor was regulated, and minimum wages were established. Credit and other help was offered to small farmers. Arevalo proclaimed himself a socialist, but at the same time an anti-communist. Communism, he said, "is a socialism which gives food with the left hand while with the right it mutilates the moral and civic values of man."

Nice talk, but you can still imagine what United Brands thought of all this. It was by far the biggest employer (40,000 jobs in a country with fewer than a million working-age men, most of them subsistence farmers). United Brands ran the only railroad, the only major port, and the telephone and telegraph service, and was a big influence on the U.S.-owned electric utility. United Brands thus was at the throttle of every significant enterprise, foreign or domestic, in Guatemala. It must have seemed unfair to the company to have come so far south to build an empire, and then suddenly discover that the unions and minimum wage laws had followed it. United Brands began to complain to its friends in Washington that Guatemala was going communist.

To the contrary. When Professor Arevalo's elected term expired in 1950, he performed the noblest and most uncommunistic of political deeds. He retired voluntarily—one of the few heads of a foreign state who ever emulated the stunning example that George Washington set back in 1796. Arevalo believed, as did Washington, that a country was better off with periodic fresh

\*These statistics and some quotes and history about the coups of 1944 and 1954 are taken from Stephen Schlesinger and Stephen Kinzer's thoroughly documented and highly praised book, *Bitter Fruit: The Untold Story of the American Coup in Guatemala* (Doubleday, 1982).

leadership. To replace him, an election campaign shaped up between his major critic, a political conservative, and the professor's enthusiastic supporter, Jacobo Arbenz. The campaign was aborted when men loyal to Arbenz shot and killed the critic.

Arbenz was challenged by a new candidate from the right, but still won, with 65 percent of the vote. He immediately moved to advance Professor Arevalo's plan, which was to give Guatemalans equal rights in their own country with the executives of United Brands. Arbenz sought to build a port that would be an alternative to United Brands' port, a highway that would be an alternative to United Brands' railroad, and an electric company that would be an alternative to the U.S.-owned electric company.

To eliminate the concentration of wealth, he seized the largest landholdings, all with full compensation in the form of twenty-five-year, interest-bearing bonds that would give the wealthy holders a stake in the successful running of the country. He did not communize farming, but rather distributed the 1.5 million acres he seized to 100,000 families. He even confiscated his own family's landholdings, probably the *next* noblest gesture a politician can make, other than retiring from office.

The land reform of Jacobo Arbenz fell perfectly within the guidelines that would be recommended by the U.S. State Department a mere seven years later, as part of President Kennedy's Alliance for Progress program.\* Arbenz's program was positively *tame* compared to the land reform program in El Salvador in the 1980s, which the United States not only conceived but enforced, with the full vigor of its munitions makers and military advisors. Arbenz, however, jumped the gun by a few years. And for that, he was decreed a communist and a menace to U.S. national security. Or, maybe his problem wasn't just timing. Maybe his problem was that *his* program adversely affected an American company as the biggest landholder.

OF course, when large landholdings came to be confiscated, United Brands was involved. And some tables were unexpectedly turned on the company. Over the years, United Brands had won itself a number of fancy tax breaks in Guatemala, with many of its operations excused from paying any taxes at all. To hold down real estate levies, it had undervalued its landholdings. General Ubico and other dictators had agreed to this, in exchange for United Brands' support. Now, under the confiscation law, these low valuations didn't look so good (although even at top dollar United Brands probably wouldn't have wanted to give up its land).

\*See *The Alliance that Lost Its Way*, by Jerome Levinson and Juan de Onis, a Twentieth Century Fund study. The U.S. wanted expropriation compensated with local currency. A program calling for payment in twenty-five-year bonds just like Arbenz's was launched by Chilean President Eduardo Frei, who was not overthrown but *supported* by a CIA covert action program.

So the company threw its Washington lobbying campaign into high gear. Back in 1947, at the first stirrings of Professor Arevalo's welfare state, United Brands had hired a high-powered lawyer and all-purpose Mr. Fixit in the person of Thomas G. Corcoran, a former Roosevelt brain truster. Among Corcoran's friends was General Walter Bedell Smith, who ran the CIA under Truman and moved over to be number two man at the State Department under Eisenhower.

Smith, known as "Beadle," had attended the small meeting in John Foster Dulles's office at which Kermit Roosevelt presented his plan for taking over Iran in 1953. Smith was part of the unanimous vote to authorize the plan. In fact, the CIA-State Department apparatus was feeling euphoric and all-powerful after its "success" in Tehran. Now Corcoran besieged Smith with news of how Guatemala's communist government was endangering the stability of Central America, and, incidentally, of the awful way it was treating poor United Brands.

Stunningly, Under Secretary of State Smith replied with his own news—that he had always wanted to be president of United Brands! As Corcoran recalled it,\* Smith "told me he always liked to watch those pretty sailing ships on the Atlantic—the Great White Fleet." This is as close to a bald-faced bribe solicitation as the annals of Washington lobbying are likely to turn up. Corcoran says he took the proposal back to his client, United Brands, advocating it. "You have to have people who can tell you what's going on. He's had a great background with his CIA association," Corcoran said.

"He doesn't know anything about the banana business," was the reply from United Brands.

"For Chrissakes," Corcoran told the company, "your problem is not bananas. . . . You've got to handle your political problem."

While his business career struggled to be born, Smith brought Corcoran's idea for a CIA overthrow of Arbenz to his own boss, Secretary of State John Foster Dulles. The attentive reader will not need prompting at this point when asked to guess which law firm had been garnering the fees from United Brands' big acquisition of its Guatemalan and other Central American railroads. That would be Sullivan & Cromwell, whose partners included both John Foster Dulles and his brother Allen, now, in 1953, the CIA director. In fact, Foster Dulles had handled the railroad deal personally.

IT might be useful here to digress on the meaning of these constantly recurring business relationships. When the sums involved are large, they allow gentlemen to take payoffs that could never be accepted as outright cash bribes.

\*In an interview with Schlesinger and Kinzer for *Bitter Fruit*. Both Corcoran and Smith had died before this author could confirm the conversation. Corcoran's son, also a Washington lawyer, says it sounds consistent with what he knew, and Schlesinger says it is confirmed in part by what he was told by McCann and others.

But these relationships also operate when the cash profit alone seems far too small to sway the important decisions of a public official.

There is a form of old-boy networking involved in all this that can be just as insidious as outright bribery in steering vital public decisions against the public interest. Early in a career, a sense of where the money comes from—and the power, and the esteem—can lock a prospective public official into his course. For Dulles to have defended what Arbenz was doing in Guatemala in 1954 might have required him to contradict laboriously drawn positions he had been paid to advocate as a lawyer for twenty-five years. For him to have double-crossed Exxon in Iran would have jeopardized more than just his own hypothetical (and probably replaceable) future income from Big Oil's fees to Sullivan & Cromwell. Even the possible loss of income to other Sullivan & Cromwell partners, many of whom were no doubt his close friends, is not the heart of the issue. Double-crossing Exxon would have threatened the oil company executives with whom they all worked, and probably played. It would have required Dulles to renounce his circle.

While this black hat of conflict-of-interest may seem to fit most neatly on the head of a Wall Street–Republican administration, in fact it knows no party or ideological bounds. Corcoran was a Democrat. And Maurice Tempelsman's lawyer, Adlai Stevenson, who argued so eloquently in support of the invasion of Zaire by U.S. forces, was a *liberal* Democrat. Indeed, the spectrum of past political positions represented today among the partners at Lehman Brothers Kuhn Loeb is so broad that only their mutual love of profit and power could possibly hold them together, as they influence the course of world politics more than they ever could have influenced it back when they were toiling in the State, Defense, and Commerce departments' bureaucracies.

UNITED BRANDS used its clout to influence men in positions of public trust, not necessarily more than other companies have, but probably more baldly. If the double-play combination of Tommy Corcoran to Beadle Smith to the Dulles brothers wasn't enough, United Brands also hired John Clementz. Clementz, while taking money as a part time publicist for United Brands and other companies, was employed full time as an executive of the Hearst newspaper chain (which today says that he is dead and that it doesn't have any record of his outside activities). Clementz was concerned in part with Hearst's International News Service subsidiary, then one of the three major U.S. wire services (it has since merged with United Press to form United Press International).

The reach of the plotters also extended to the *New York Times*. It was feared that Sydney Gruson, the *Times*'s Central American correspondent, was too liberal and might report things he shouldn't when the overthrow took place. So Allen Dulles used his friendship with the *Times*'s business

manager to pass a message to Arthur Hays Sulzberger, the publisher, to keep Gruson out of Guatemala until after Arbenz was deposed. Sulzberger obliged, and replaced Gruson until after the coup.\*

Foster Dulles's assistant secretary of state for Latin American affairs, John Moors Cabot, helped launch the attack against Arbenz by accusing him of "openly playing the communist game." Cabot's brother, Thomas Cabot, was a recent president of United Brands, and the Cabot family still held stock in the company. It was a member of that family, U. N. ambassador Henry Cabot Lodge, who fended off Guatemala's efforts to get U.N. protection. And President Eisenhower's personal secretary, Anne Whitman, was the wife of United Brands' public relations director, Edmund Whitman.†

The poor bastards in Guatemala never had a chance.

CIA officers actually went around with United Brands executives to prospective Guatemalan leaders, scouting for a suitable replacement for Arbenz—a Guatemalan Zahedi. (Kermit Roosevelt wrote in his memoirs that right after his triumphant return from Tehran, Allen Dulles had offered him the Guatemalan job. But Roosevelt said he turned it down because he sensed too much support of Arbenz among the Guatemalan people.)

Of course, the CIA and United Brands weren't willing just to *give* the presidency of Guatemala away. Their rather stiff requirements were spelled out by one of the first men they approached, General Miguel Ydigoras Fuentes. In his 1963 memoirs, *My War With Communism* (Prentice-Hall), Ydigoras Fuentes recalled: "A former executive of United Fruit Company, now retired, Mr. Walter Turnbull, came to see me with two gentlemen whom he introduced as agents of the CIA. They said that I was a popular figure in Guatemala and that they wanted to lend their assistance to overthrow Arbenz. When I asked their conditions for the assistance, I found them unacceptable. Among other things, I was to promise to favor the United Fruit Company and the International Railways of Central America [which United Fruit owned]; to destroy the railroad workers' labor union; to suspend claims against Great Britain for the Belize territory [an old border dispute involving a former British colony]; [and] to establish a strong-arm government, on the style of [General] Ubico." Ydigoras Fuentes wrote that he told the men he wanted

\*Recounting the incident in *Without Fear or Favor* (Times Books, 1980), his book about the *Times*, Harrison E. Salisbury says it "left a bad taste in Sulzberger's mouth," furthering his resolve to make the *Times* independent in the future.

†The information in this paragraph is from the Schlesinger-Kinzer book. Schlesinger says its original source was Thomas McCann, the retired corporate vice-president at United Brands, who in turn verified it for me. Henry Cabot Lodge says he didn't personally own stock in the company, and doesn't know whether his family did. United Brands says no one was around who can recall such details, or can locate the Whitmans.

to revise the terms, because they "seemed to me to be unfavorable to Guatemala. [To say the least!] They withdrew, promising to return; I never saw them again."

The United Brands—CIA search team had moved on. They finally settled on a candidate, a man originally proposed by United Brands, a lawyer named Cordova Cerna—who just happened to be United Brands' longtime local counsel! But Cerna soon contracted throat cancer, and had to be replaced. Cerna suggested that his patrons turn to Colonel Carlos Castillo Armas. They did, and set Castillo Armas up just across the border in Honduras, training an army of U.S.-supplied mercenaries.

At this point, Ydigoras Fuentes picks up the story again in his memoirs: "I was soon informed [he discreetly avoids saying by whom] that Colonel Castillo Armas had been chosen. . . . My job was to inform all of my supporters in Guatemala that Castillo Armas and I were in complete agreement, that he was to lead an armed invasion to overthrow the Arbenz government and immediately convoke free elections. I was to urge the fullest support, strategic and financial, to the movement. This I did and this was the extent of my participation in the movement. However, it was important. Carlos Castillo Armas had no political following in Guatemala. He was hardly known."

Oh, but that didn't matter. The U.S. gave him a full complement of Guatemalan exiles, American recruits, and others of the type the CIA rounds up in times of need. Of course, they were all paid, armed, and flown to Honduras for training, by the American taxpayer. As for Ydigoras Fuentes, his initial recalcitrance was forgiven and his eventual loyalty rewarded; he was allowed to serve his own term as president of Guatemala from 1958 to 1963.

Meanwhile, President Arbenz was becoming understandably upset about the army being raised over his border, led by the right-wing Castillo Armas, whose hostility toward the new welfare state had long been manifest. Naively unaware of who was arming Castillo Armas, Arbenz asked the U.S. for arms to defend Guatemala. He was, of course, refused. Now on the U.S.'s blacklist, he did no better elsewhere.

Desperate, Arbenz arranged to buy a \$1 million boatload of small arms and artillery from Czechoslovakia. Of course, the CIA tracked the ship from the day it left port in Szczecin, Poland, where an agent was in place. (Sleep well tonight, America, your spies are alert in Szczecin.) The arms' arrival in Guatemala was quickly exposed, and provided a splendid excuse for the overthrow that had long been planned anyway.

"The Reds are in control," Eisenhower declared to congressional leaders, "and they are trying to spread their influence to San Salvador as a first step to breaking out of Guatemala to other South American countries." Never mind that Guatemala isn't even in South America. Thirty years later, Ronald Reagan is still making the "spread their influence" speech, about the same



exploited, pathetically poor fruit and coffee farmers, who probably have never considered themselves very influential.

So Castillo Armas moved into Guatemala. Surprisingly, his U.S.-operated mercenary army failed to roll over the resistance forces as fast as expected, and for a while his victory was in doubt. But U.S. planes, flown by U.S. pilots, bombed and strafed and eventually took their toll. Once again a U.S. ambassador, this time John Peurifoy instead of Loy Henderson, brazenly conned a patriotic Third World leader who had tried to obtain minimal justice for his people. As Henderson had lied to Mossadegh about the U.S. role throughout the coup in Iran, so Peurifoy lied to Arbenz as the noose tightened around him. But finally, the last democratically elected president of Guatemala (to this writing) resigned and went to Mexico.

Eisenhower received the responsible CIA operatives at the White House and thanked them, saying, "You've averted a Soviet beachhead in our hemisphere." Then, as had become the custom in these affairs, the secretary of state ordered the U.S. ambassador to take care of business. Peurifoy was to instruct the government the U.S. had just installed in Guatemala to issue a fat contract favoring United Brands, a supposedly competitive private enterprise. When United Brands itself told Dulles it had doubts about the timing of the contract—which returned all its land, among other things—Ambassador Peurifoy cabled Dulles that there was nothing to worry about, and that United Brands should proceed with the deal.

Keeping another custom, U.S. newsmen were brought to Arbenz's home and shown stacks of Soviet textbooks and other evidence of Arbenz's alleged communist stooge role. But even Paul Kennedy, the *New York Times* reporter who apparently had passed CIA inspection after Sydney Gruson failed, decided the evidence was planted. He wrote in his memoirs, *The Middle Beat* (Teachers College Press, Columbia University, 1971) that it was "suspicious enough that some of us held off on the story." Others—notably *Time* magazine—reported it.

BUT some justice was done. For all his trouble, old Beadle Smith never got the presidency of United Brands. He settled for a seat on the board of directors.

And United Brands itself fell prey to the Justice Department, which is consistently more independent of corporate political pressure than the foreign policy apparatus is. With the same devil-be-damned spirit it demonstrated in the oil monopoly case, the antitrust division at Justice accused United Brands of monopolizing the banana business—which, about as certainly as night follows day, it had.

There is a bit of irony in the suit that the Justice Department filed, of course. It said that the banana business the U.S. had just gone to war to protect was illegally cheating the American public out of the right to buy

competitively priced bananas. Just as with Exxon and its Iranian oil, the citizens were losing on both ends. They were paying exorbitant taxes and committing heinous moral crimes in order to protect an anticompetitive private monopoly, which then overcharged them for its goods. In both cases, Americans would have been better off *losing* the war they were financing, so that the resultant free market could bring them cheaper oil and bananas. At least that's true if you accept the Justice Department's argument.

In 1958, United Brands itself surrendered to that argument. It settled the Justice Department's antitrust case by agreeing to sell, over time, all of its Guatemalan banana fields. This might seem the final irony to the story—that the whole effort, raising an army, overthrowing a government, was for nothing. But that would be a hasty conclusion. A good circumstantial case has been made that the State Department again subverted Justice (as it did with the oil monopoly, and with the overseas bribery cases). The sale of United Brands' Guatemalan banana fields was delayed fourteen years, and when Del Monte Corporation finally bought the fields in 1972, some aspects of the sale may not have been strictly as the Justice Department intended.

There had been no shortage of potential buyers for the properties. But Del Monte, a big fruit grower in Hawaii and California, seemed to have a special track. A close relationship had developed between the companies in 1968, in the aftermath of an attempt by United Brands to buy out Del Monte. Del Monte's management had sensed the danger and cleverly dodged the takeover plot by acquiring a Florida banana property. The 1958 antitrust settlement clearly precluded United Brands from buying another banana-growing company, so if Del Monte started growing bananas, United Brands couldn't take it over. As Del Monte management saved itself, however, it fell into intimate discussions with its attacker.

In 1970, the two companies announced that Del Monte would buy the United Brands Guatemalan banana properties for a sum exceeding \$10 million. (The price was later disclosed to be \$20.5 million.) The announcement sent up howls from some Guatemalan businessmen who wanted to buy the properties themselves. At least two of these Guatemalan bidders were in association on the deal with an independent American investor. There were allegations of unfair collusion to keep the banana fields under the control of big U.S. agribusinesses that might, as the oil companies did, work together to block true competition.

The Guatemalan government announced it wouldn't allow the sale to Del Monte. Castillo Armas, the U.S. stooge, had by this time been shot and killed by an assassin, and in 1960, his replacement, the emboldened Ydigoras Fuentes, had called in U.S. arms, planes, and pilots to put down a rebellion. Over the next decade the country had dissolved into the Guatemala that we know today, a revolving order of rightist dictators inflicting massive bloodshed on a discontented population. But in 1970, one of them said no to the United Brands-Del Monte deal.

The U.S. Justice Department also objected to the sale. It argued that United Brands should open up its operating data to allow fair competitive bidding for the property. As it turned out, the critical conflict in the banana affair was this clash between the two great arms of the U.S. government. On one side, the Justice Department stood for the rights of Americans to buy, sell, grow, or eat bananas in a free market (and of United Brands shareholders to get the best available price for their banana fields). On the other side, the State Department stood for halting the communist menace.

The Justice Department was beseeched by United Brands' lawyers to stop interfering with the Del Monte sale. United Brands argued that if the sale wasn't made quickly, and with U.S. government support, Guatemala might confiscate the properties. If that happened, United said, other Central American governments might start confiscating properties of other U.S. corporations. The Justice Department believed otherwise, and on February 7, 1972, Bruce B. Wilson, the deputy assistant attorney general running the antitrust division at Justice, stated his argument in a letter to John R. Breen of the State Department Office of Central American Affairs.

Wilson wrote, "We believe it might be prejudicial to U.S. interests . . . to refuse to give Guatemalan nationals an opportunity to bid for the properties. . . . We believe that a successful purchase by Guatemalans at fair market value would show that expropriation is unnecessary as a means to further nationalistic economic development. We recognize United's concern that detailed data concerning its Guatemalan operations will become known to the Guatemala government and [employee] union. . . . There seems no way in which potential purchasers can make informed bids on the property unless they have access to such operating data."

THE State Department, however, may have known much better than the Justice Department exactly what data United Brands wanted to hide. And, like General Smith on the board of directors, it may not have had anything to do with the banana end of the business. At any rate, the U.S. ambassador to Guatemala, Nathaniel Davis, coached United Brands and Del Monte on how to change the mind of the Guatemalan government, and persuade it to okay the transfer. Davis's advice, according to cable traffic that has since been declassified and obtained, was to see "a local consultant."\* After trying unsuccessfully to go it alone, Del Monte did see a "local consultant," whereupon Guatemala suddenly reversed its opposition and approved the transfer.

On July 14, 1975, the *Wall Street Journal* published a page-one story by reporters Jerry Landauer and Kenneth H. Bacon disclosing that Del Monte had paid an influential consultant \$500,000, hidden in the books of Pana-

\*Davis—the same man who resigned over the Angolan escalation in 1975—said in a 1983 interview that he had not referred Del Monte to any *particular* consultant.

manian shipping companies, entirely contingent on the consultant's ability to turn the Guatemalan government around. The story provoked a flurry of official investigation and press activity. Within a couple of weeks it was known that the consultant was Domingo Alejandro Moreira Martinez, a Cuban who had fled to Guatemala after Castro overthrew Batista. Moreira now had close ties to Guatemalan leaders. By some accounts, he was involved in an oil deal with the president of Guatemala.

Then State Department cables disclosed that more than \$1 million may have been paid in connection with the banana property approval. The SEC learned that a \$300,000 tax on the land transfer had apparently been avoided, and that currency export controls had been lifted to allow United Brands to remove from Guatemala the \$20.5 million that Del Monte paid for the property. After two years of steadfastly maintaining that none of its corporate cash ever went to any government officials, on May 5, 1977, Del Monte quietly filed a disclosure statement with the SEC acknowledging that "in some cases consultant's bills, to the knowledge of the company, included funds to be transmitted to government officials or others." No more was said.

The government of Costa Rica charged that United Brands, Del Monte, and another company, Castle & Cooke Inc., had a joint \$5 million slush fund to pay off Central American officials to keep them from raising export taxes on bananas. The three companies denied it.

But the dam had long since broken. The *Wall Street Journal* had reported, again on page one, in a story by Kenneth Bacon and Mary Bralove, that United Brands had paid a \$1.25 million bribe to the president of Honduras, which persuaded him to reduce an announced increase in the banana export tax. Eventually, United Brands was indicted and convicted in U.S. District Court, New York, on six felony counts for the Honduras bribe. Judge William Conner responded by slapping United Brands with the maximum fine allowed by law: \$15,000. Almost as a footnote to that case, it came out that the SEC had also learned of a \$750,000 payoff United Brands had made—in another matter altogether—to officials of the Italian government.

Then it was learned that United Brands had been bribing a top officer of the International Longshoreman's Union, Fred H. Field, Jr., who was indicted and convicted in federal court, New York. In connection with that case, prosecutors discovered a big slush fund kept by United Brands. Its purpose wasn't fully disclosed. Field was sentenced to one year in jail and fined \$50,000—the fine alone being more than three times as much as the piddling penalty levied against United Brands. No charges were brought against United Brands' executives, which aptly illustrates the favored treatment businessmen get under U.S. criminal law.

But one United Brands executive did choose to fall on his sword. In February 1975, in the early stages of the investigation, Eli Black, the chairman of United Brands, jumped to his death from the forty-fourth floor of

the Pam Am building in New York, rather than answer to his part in the scandal.

Then came Thomas McCann's memoirs, in which he explained why United Brands had chosen to settle the antitrust case by selling its Guatemalan banana fields. The company also could have satisfied the law, he pointed out, by selling its plantations in Panama. But, said McCann, "I felt the reasons we went back to Guatemala to satisfy the conditions of the consent decree were the same reasons we had gone there in the first place: it had a weak, permissive, and corrupt government, and the company's social responsibility to the country was not likely to be made the issue that it had been in Panama. It worked; the company's Guatemalan operations were soon sold to Del Monte, following, I was told, the promise of a bribe."

The news was certainly out by now. What should have been plain for the past fifty years to anyone who read the newspapers was now inarguable: Chiquita Banana was a whore.

IF Chiquita could say anything at all to her formerly adoring fans by way of a defense, it could only be that she was no ordinary whore, but rather something of a modern-day Mata Hari—a spy who slept around.

And that was exactly the explanation offered by Herbert Berkson, a business consultant and investor from Boston who had been associated with two Guatemalan businessmen in an effort to buy the United Brands banana property. In 1974, Berkson filed suit in state court, Massachusetts, charging that United Brands and Del Monte had gypped him out of a fair chance to buy the property. The suit was dismissed in state court in December 1978, and reinstituted in federal court, Boston, in June 1979. At this writing in 1983, it is still in contention, with hundreds of pages of briefs and interrogatories floating back and forth among the parties.

Berkson has claimed that United Brands and Del Monte held "secret meetings" to exchange plans, fix prices, and falsify actual costs to evade taxes. He has accused the companies of pressuring his chief Guatemalan business partner, a big banana planter, into backing out of the bidding. Berkson says the companies threatened to boycott the planter's bananas. Through interrogatories, Berkson had elicited the information that United Brands gave the planter a \$250,000 loan just before selling out to Del Monte. The companies deny any collusion, and say the planter later paid the loan back.

The obvious question, though, is why United Brands was so determined to sell to Del Monte. Berkson's answer lies in a series of allegations he keeps serving up in the form of court interrogatories, questions in the sense that he is asking for comments on his statements:

"That United Fruit provided a deep intelligence cover for the Central Intelligence Agency in Guatemala and other countries in Central America.

"That [officials of United Fruit] allowed the radio wires of its subsidiary, Tropical Radio, to be monitored clandestinely by a Central Intelligence Agency member without the knowledge of United Fruit stockholders.

"That the Securities and Exchange Commission has been influenced by the Central Intelligence Agency *not* to prosecute . . . for illegal bribes in Guatemala because of United States foreign policy and American national interests.

"[That] Del Monte and United Brands have been afforded select and preferential treatment by United States investigatory agencies because of past favors tendered by United Fruit to these agencies, and the delicate geopolitical considerations being dealt with in Central America at the present time."

United Brands has denied that it or Del Monte got preferential treatment because of past favors done for the U.S. government. United Brands also said that it "made reasonable inquiry" about whether the CIA had intervened in the case and hadn't been able to learn enough "to admit or deny same." As to its relations with the CIA, it refused to comment on the ground the answers weren't relevant to Berkson's lawsuit. The SEC didn't respond to requests to comment for this book on whether the CIA had interfered in the Guatemalan investigation.

The allegation about United Brands' little-known Tropical Radio Telegraph Company subsidiary (later known as TRT Telecommunications Corporation) is particularly interesting. Beginning in the 1920s, Tropical Radio provided the communications system not only within Guatemala, but in Nicaragua, Belize, Honduras, Costa Rica, Colombia, and other Central and South American countries. In 1972, the Federal Communications Commission (FCC) expanded Tropical Radio's authority over most of the world, and the company quickly began handling Telex, telephone, and satellite communications with Italy, Britain, Germany, and Switzerland.

Years ago in Boston, Berkson became friendly with a man named Frank C. Bibbs. Bibbs showed a personal knowledge of United Brands' top management, whom Berkson also knew as a result of an earlier business deal. According to Berkson, Bibbs eventually disclosed that he was a government agent (presumably CIA) who was allowed by United Brands to monitor Tropical Radio. Now, to monitor Tropical Radio would be the equivalent of wiretapping every phone and Telex in Guatemala, and much of the calling in many other countries.

Bibbs is now dead. His widow stated in an interview that he worked for Tropical Radio, but said she didn't know if he monitored it for the CIA. How could she not have known? "Well, if he worked for the CIA, I wouldn't know what he was doing," she said. "I really can't talk about it," she declared in response to other questions, and hung up. But a friend, Frank Ferrando—owner of the Charles Restaurant in Boston, where Bibbs liked to hang out—remembers quite clearly "that he worked for the government. People said the CIA. He never said what he did for the government, but he traveled a lot."

\* \* \*

IN 1979, the Inter-American Development Bank, a kind of regional World Bank, surveyed land ownership in Guatemala. The figures it came up with were almost identical to those of 1944—a concentration of wealth that inspired a revolt then, and has continued to inspire each new generation of revolutionaries. Ninety percent of the farmers shared 16.2 percent of the land, while 2 percent of the farmers held 65.4 percent of the land.

A swell of revolution in 1966 brought a full-scale U.S. counterinsurgency program to Guatemala—arms, advisors, and even Green Berets. A 1980 State Department study analyzed the program: “To eliminate a few hundred guerrillas, the government killed perhaps 10,000 Guatemalan peasants,” it said.\*

In 1974, elections were held. Though both leading candidates were right-wing generals, one appeared to be more accommodating to the poor. Opponents of the regime in power agreed to participate in the election and back him. He won. But the regime prevented him from taking power, and gave the victory to his opponent. The U.S. said nothing. The election was widely recognized as a fraud, and the majority opposition was understandably disillusioned about democracy.

Still, each new administration that comes along in Washington is purportedly unable to understand why people who are not communists, and not Soviet allies, might still resort to violence. An almost identical episode had occurred in El Salvador in 1973, where elections were accepted, the most centrist candidate won, and the oligarchs refused to allow him to take office.

Not only did the poor have the least land, they had the worst land. And with the discovery of oil on Indian land in Guatemala in the late 1970s, it was necessary to clear the poor even off what land they did have, so that senior military officers could take it over in anticipation of the oil profits. In the town of Panzos, in north central Guatemala, about 700 Indians who had complained about the loss of their land were invited by the government to meet officials in the town square on May 29, 1978. Without warning, soldiers opened fire on the Indians, killing about 100, including women and children, and burying them in a predug grave. That kind of thing certainly discourages protests—and encourages a movement of people away from productive farming toward city slum life.

In 1979, Stephen Kinzer reported in the *Boston Globe* on a U.S. AID project to try to develop 125,000 acres near the oil land for use by peasant

\*This quote comes from an article in *Foreign Policy* magazine by Marlise Simons, a reporter for the *New York Times* with much experience in Central America. In telephone interviews, she verified the existence of the study and the accuracy of the quote, but said she couldn't locate her copy to send to the author. Without specifics, the State Department couldn't locate it either. I trust her reporting, but include this caveat.



farmers. After roads, hydroelectric dams, and other modernizations made the area liveable, AID planned to distribute the land in 25-acre plots. Sound noble? Kinzer also reported that General Romeo Lucas, then the president of Guatemala, had reserved for himself an additional 130,000 acres, which will also be opened up—courtesy of U.S. taxpayers.

Amnesty International reported in 1982 that in the village of San Juan Comalapa, “more than thirty bodies were pulled out of the gorge” after a visit by the Guatemalan army. “Most had been strangled with a garrote. . . . No recognition or explanation of the murders has ever been made by the government of Guatemala,” the report said.

One escaped political prisoner told Amnesty International investigators, “Before my very eyes they [the army] killed three people. They strangled them. The way they killed them was with a piece of rope, a kind of noose, which they put round the neck and then used a stick to tighten it like a tourniquet from behind—handcuffed, and with their heads held down in the trough. Then they came out, their eyes were open; they’d already turned purple. It took at most three minutes in the water. . . . They just showed me the other six bodies and said the same thing would happen to me if I tried to lie to them.”

Amnesty International interviewed a former soldier:

Q: Did you have permission to kill anyone?

A: Anyone who was a suspicious character.

Q: The soldiers can kill people without orders, just because someone is a suspicious character?

A: Yes, certainly. . . . We have got the right to kill him, and even more so if we have been given strict orders to.

According to a 1981 report by J. Michael Luhan, a former Peace Corps volunteer in Guatemala writing in the *New Republic* (which is almost Reaganistically anti-communist on foreign policy matters), twenty-seven directors of the Guatemalan National Workers Confederation were kidnapped from a meeting of the organization. They were hauled off by plainclothes cops in June 1980, and not seen again. Nine members of the Coca-Cola workers’ union were assassinated during the year.

Luhan wrote that in May, the army established a camp in Comalapa, a town that had not had a single homicide in more than forty years. After the soldiers came, fifty villagers were dragged from homes, sidewalks, and buses, and were tortured and killed. When the family of one slain youth went to the army to complain, the army sent them home. That evening as they prepared dinner, two carloads of armed men arrived, broke down the door, and murdered all seven, five of them women and girls.

Things got so bad in 1982 that Father Ronald Hennessy, a Maryknoll priest, decided to go public and allowed his sisters, two Maryknoll nuns, to publish some of his letters in the *Des Moines Register*. This brought the wrath of the Church down on him, and he was ordered to keep quiet after that. But his pleas to persuade his fellow Americans to stop aiding the



Guatemalan government in carrying out this slaughter make poignant reading. The following is quoted from copies of his letters, not from the *Register*.

"General [Efrain] Rios Montt, president of Guatemala, thanked the U.S. in his address to the nation last evening for the \$11 million granted to Guatemala," Father Hennessy wrote on July 27, 1982. "I'm wondering if the U.S. knows what is going on here. On the spot I cannot tell if Rios Montt [a self-styled, born-again Christian] is truly a mystic elevated beyond the cruel reality imposed on the people by his subordinate military officers, or if he is really a genocidist. . . . Let me give you a few of the happenings of just this month in just this parish and let you decide for yourselves:

"July 2: The military came to San Mateo and read off a list of forty people (only one woman) 'selected for leaders of the newly constituted Civil Defense.' The people were somewhat skeptical, but these people for the most part were the leaders, so ten men presented themselves. The military told them that they would have to come to the base in Barillas for special training. As they neared Barillas the soldiers tied their hands behind their backs, cut their throats, and tossed them off the cliff.

"July 9: The soldiers hung Diego Mario Mateo head downward from the light pole at the corner of the town square. They applied their boots to his face, shot him, and left him to hang for twenty-four hours before ordering his body thrown into the river. His two companions who were supposedly runners for the guerrillas were taken away by the soldiers supposedly to 'entertain' the people of two other towns in a similar way.

"July 10: Guerrillas shot Juan Bautista, health promoter in the *aldea* of Canaj.

"July 11: Four tortured bodies were dumped on the road above the *aldea* of Ixbajau. At least one, Sister Francisca's nephew, was definitely anti-guerrilla, as his father and brother were killed by them a year ago. He had been taken a week before by the army and tortured for days at the soldiers' base. . . .

"July 13: Soldiers with a defected guerrilla selected seven people in the *aldea* of Yolcultac and forced the people to beat him to death with clubs. They shot a thirteen-year-old boy there as he ran as they approached, making eight dead.

"July 14: The local military commander sent word for all of the people of the *aldea* of Petenac to be assembled for his 11:00 A.M. arrival. . . . At 4:00 P.M. all of the men, with hands tied behind their backs, were escorted by the soldiers to one house, shot, stabbed, piled one on top of the other, and covered with burnable items of the very house, which were sprinkled with gasoline and set on fire. The women were treated the same as the men, differing only in that some had live babies on their backs when they were stacked for burning. The other children were tied, one to another, and pulled alive into the flames of a third house by the soldiers. The two houses of the women and children were completely gutted; the fire designed to consume the men went out without burning the house or even the ropes binding their

hands. Since the soldiers had left, they were unaware that one of their three pyres was ill-prepared. . . .”

Julia Preston, reporting in the *Columbia [University] Journalism Review*, said the number of violent deaths had increased so rapidly (50 percent higher each month than the last) that in September 1981 an association of Guatemalan coroners complained that they couldn't keep up with the demand for autopsies.

Still, the attitude of the U.S. government could be summed up by this verbatim report from the *New York Times*, December 19, 1982, datelined Guatemala: “Loopholes in congressional restrictions on aid to Guatemala have made it possible for the United States to continue to provide some military parts, instruction, and informal advice to this country's armed forces, according to Western officials here.

“Officially, United States military aid to Guatemala has been cut off since 1977, when the government here refused assistance after the Carter administration issued a report highly critical of the Guatemalans' performance on human rights. Congress then followed by imposing restrictions on military aid, citing the human rights situation.

“Now military aid appears increasingly likely to be restored at the request of President Reagan, following reports that the violence in the countryside has eased after strong government actions to control a guerrilla insurgency there.”

THE direction Reagan would take in Guatemala was predictable long before he took office, not so much because of anything he said as by the actions of his close advisor, Michael Deaver. In the year of Reagan's election campaign, 1980, Deaver's public relations firm, Deaver & Hannaford, took on various right-wing Central and South American landowners and businessmen as clients. Among them was a group of Guatemalans.

It certainly doesn't require extraordinary imagination to figure out what “public” these Guatemalans wanted to improve their “relations” with. They got what they paid for. When Reagan took over, Deaver moved into the White House. By consensus accounts, he was one of the three men closest to the president (with Edwin Meese and James Baker).

Deaver's partner, Peter Hannaford, not only continued their public relations business, but also bought out the consulting business of Richard V. Allen, Reagan's national security advisor. Allen's clients also tended to be foreign nationals whose interests Allen would be tending after taking office.

IN May 1981, General Vernon Walters visited Guatemala. An intelligence specialist since World War II and former deputy director of the CIA, Walters, representing the president of the United States, made top-secret travels around

the globe on national security matters. He was a kind of covert secretary of state. At the time of his visit to Guatemala, Amnesty International had already reported that “some 3,000 people described by government representatives as ‘subversives’ and ‘criminals’ were either shot on the spot in political assassinations or seized and murdered later.”

But that didn’t faze Walters. According to the *Washington Post*, he “said the United States hopes to help that [the Guatemalan] government defend ‘peace and liberty’ and ‘the constitutional institutions of this country against the ideologies that want to finish off those institutions.’” Added Walters, “There will be human rights problems in the year 3,000 with the governments of Mars and the moon. There are some problems that are never resolved. One has to find a solution that respects a being’s right to live without fear. But as I see it, the best way to do that is *not to impose the ideas of one nation on top of another*. [emphasis added].”

Try that for hypocrisy. Anyway, full aid was restored, as the *New York Times* had predicted. Guatemala’s help was needed in the fight against the guerrilla insurgency in El Salvador, where similar conditions prevail.

Things don’t change. Back in 1960 and 1961, our Guatemalan preserve was where the CIA chose to organize and train the invasion force for the Bay of Pigs. The property used was a plantation owned by Roberto Alejos, a conservative businessman who had formerly worked for the CIA—and for United Brands.