

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

OFFICIAL DISPATCH

2003

VIA
(Specify Air or Sea Pouch)

DISPATCH NO. 1929

*went to Mailroom
1700, March 21.*

~~SECRET~~ RYBAT
CLASSIFICATION

TO

DATE 21 March 1957

FROM Chief, WHD

SUBJECT { GENERAL
 SPECIFIC } The Springjord Problem

- REFERENCES:
- (a) [] -1586, 10 July 1956
 - (b) [] 3012, 1 August 1956
 - (c) [] -1712, 16 October 1956
 - (d) [] 754 [] 12 March 1957
 - (e) CWH Memorandum to WHITING, 24 January 1957
 - (f) [] 2881, 30 May 1956

ACTION REQUIRED: Send comments.

1. The purpose of this dispatch is to set forth recent developments and Headquarters' current thinking as to possible courses of action.
2. Apparently Wunderlich has never yet informed Greenlee that the Guatemalan reply to the British Note of 6 March 1956 was finally delivered on October 8. Since we evidently cannot depend too much on Wunderlich for speedy relay of information, Headquarters hopes FREAPANE may be able to obtain as fully as possible, with preferably the exact text, the substance of the British "formal note" mentioned in ref. (d). Headquarters would also appreciate at all times [] best estimate of current British reaction and of their probable future actions.
3. Reference (e) was approved by WHITING on February 13. It was a summary of the whole background with "request for approval of proposed plan of action," virtually identical to reference (a) and to the draft of a memorandum to WHITING which [] read and approved in September. It included a summary of []'s talk with Greenlee as related in reference (c), including Greenlee's views as to the probable strategy of Bigham, Engler,

(Releasing officer)

(Coordinating officer)

(Authenticating officer)

~~SECRET~~ RYBAT
CLASSIFICATION

~~SECRET~~ RYBAT

[] -1929
Page two

Jones & Houston and [] comments on the British Honduras problem. It concluded:

"17. Suggested plan of action. Neither the covert introduction of funds from SKIMMER nor overt financial assistance from ODYOKE is feasible. This being the case, settlement for so large a sum as \$900,000 also appears not practicable; in any case it appears doubtful that the claimants in all the circumstances are entitled to expect so large a sum, and it seems likely that they will feel themselves lucky to receive a much smaller one. Accordingly, the course of action recommended, with the full concurrence of the [] is, broadly: (a) to let the whole problem drag on at its leisurely legal and diplomatic pace, up to the point where undue delay might risk goading the British into overly vigorous action, while bearing in mind also that ESGHOST's term of office ends in 1960; and (b) to prepare the ground with ESGHOST, and through him with the British, for an eventual ex gratia settlement at a greatly reduced figure, the sum to be raised overtly by the Guatemalans through a bond issue or a national lottery. Following his conferences with the General Counsel and with Mr. Greenlee in October, [] planned upon his return to Guatemala to ask FREAPANE, speaking for SKIMMER, to suggest to ESGHOST that the Guatemalan Foreign Office should ask Kramer, Marx, Greenlee and Backus to investigate the feasibility of raising funds through a national lottery or bond issue. Mr. Greenlee was to examine, with the General Counsel, the possibility of clearing a New York brokerage firm.

"18. Suggested plan of action (continued). FREAPANE can point out to ESGHOST, who will doubtless readily agree, that \$900,000 is a much higher figure than the combined claimants should reasonably expect, and that, in any case, it would pose formidable financial and political problems for him. ESGHOST, in turn, can truthfully tell the British, should they raise the matter, that the \$900,000 figure was tossed off by him orally as a gesture of good will, at a hectic time when he was far too preoccupied with most pressing internal political emergencies to study the details of the Springfjord problem. He can recite all the arguments mentioned in this memorandum to show that the British claim is much too high, and can plead his serious political and financial problems. At the psychological moment, depending upon

~~SECRET~~ RYBAT

~~SECRET~~ RYBAT

[] 1929
Page three

events and the nature of the British reaction, he would then offer an ex gratia settlement for the lowest possible figure-- [] [] has mentioned \$200,000 as a possible minimum--calling on the Guatemalan public to support a bond issue (raised overtly in the U.S., for which there is said to be ample precedent) or to subscribe to a national lottery, thereby testifying to the fundamental good will of Guatemala toward Britain. If feasible, such a bond issue or lottery should be devoted towards meeting only, or mainly, the British claims, since no American citizens have suffered any losses that were not immediately covered by insurance, whereas the British shipowners have suffered some real hardship in the loss of their inadequately insured vessel (one of the Company's fleet of five), and there is probably merit in their claim of \$49,147 for Disbursements, such as \$11,715 for repatriation; \$8,808 for salvage, and \$14,747 for 'crew's lost effects, wages, leave pay and unemployment indemnity.'

"19. Suggested plan of action (continued). It is felt that ESGHOST, skilfully advised, might even reap political benefit from the whole affair, or at the least break even. For local consumption he could plug a judicious combination of themes: that he has been firm and skilfull in fending off for so long the claims of big foreign companies, which once totalled as high as \$2,800,000; and that, at the same time, he has been magnanimous and has maintained Guatemala's reputation among the family of nations by volunteering a very modest ex gratia settlement.

"20. At the moment, any further action in the legal and diplomatic fields must wait upon the British reply to the Guatemalan reply to the British Note of 7 March 1956. It would be very difficult to predict what this reply may be. WH Division is also aware that there may yet be unpleasant surprises and unexpected developments in store before this complex problem is satisfactorily resolved. Meanwhile, this memorandum has received the concurrence of the Office of General Counsel, who have been most helpful, and your approval to seek ODAGID concurrence in the course of action outlined above is hereby requested."

4. FREAPANE was interviewed on 14 March 1957; he stressed that he merely carries out instructions, without necessarily knowing the full background and without feeling qualified to take any initiative on his own. He asks that, when and if he is asked to take further action, he be briefed

~~SECRET~~ RYBAT

~~SECRET~~ RYBAT

C J -1929
Page four

in enough detail to enable him to put the desired line of action across with ESGHOST. He said it is his definite impression that ESGHOST still believes that ODYOKE, in one way or another, will be picking up the tab. Asked what might be ESGHOST's reaction to being told that no funds would be forthcoming from ODYOKE or SKIMMER, and that the Guatemalans themselves should float a bond issue in the U.S., SKIMMER merely undertaking to facilitate it but Guatemala eventually footing the bill for principal and interest, he said ESGHOST "would probably blow his stack." In the existing state of public opinion towards Britain, he believes the bond issue solution is not practical politics.

5. FREAPANE then suggested that the \$900,000 might be covertly advanced to ESGHOST in monthly installments during the remainder of his term. ESGHOST would then tell the British Minister: "It is politically quite impossible for me to deal with the British claim overtly. However, out of my Confidential Funds, I could pay you monthly for the next four years, if and only if you can take care of the London end and guarantee no publicity." ESGHOST, via Greenlee, could make a similar approach to Bigham. This method of handling the problem would have at least two merits: it would insure the minimum of publicity, and it would increase SKIMMER's control over ESGHOST. The suggestion is recorded here only as a basis for possible future discussion.

6. At the moment, Headquarters thought is that, even if the Guatemalans never pay the claimants anything, the Americans are unlikely to antagonize ODACID by pressing their claim, which they have probably written off long ago, and the British, in view of the existing tension over British Honduras and in view of the whole international situation, are not in a position to press their claim vigorously. The British must realize that they are in a happier position, as regards British Honduras, thanks to the overthrow of Arbens, and it is thought they may be prepared to write off their Springfjord loss.

7. Should ESGHOST ask FREAPANE for advice, it is suggested FREAPANE should say he did not discuss the Springfjord case while in the U.S., should ask for the full text of the British Note, and should say he will consult SKIMMER.

~~SECRET~~ RYBAT

~~SECRET~~ RYBAT

[] .1929
Page five

8. Station comment is invited, particularly as regards (1) probable future British action and (2) the practicability of the monthly payments plan.

[]
f/c. KING //]
CWH

Distribution:

Orig - Guatemala City

1 cc - CWH

1 cc - C/WH/III

1 cc - Springjord file

WH/JCK/WG []

[]
J/c. King, //WH

[]
C/WH/III

~~SECRET~~ RYBAT