

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL

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2003

13 October 1954

MEMORANDUM FOR: Director, Central Intelligence

SUBJECT : Sinking of SS SPRINGFJORD

Upon receipt of a cable from the Guatemala station (GUAT 305, 2 October) indicating urgency in the matter of the sinking of the British ship SPRINGFJORD, a complete study of the background of this incident was made. As a result of this study, a copy of which is attached hereto, certain conclusions are reached. Based upon these conclusions definite recommendations are made at this time.

CONCLUSIONS:

1. The SPRINGFJORD was bombed by CASTILLO Armas forces, by order of Lincoln Field Command, without authorization either from Headquarters or Lincoln.
2. The pilot who bombed the ship is an American national and former air attache in Guatemala, who volunteered to fly for CASTILLO and who is now living in Guatemala. Immediately after his mission, Guatemalans and Nicaraguans at Managua learned that he had bombed a ship. Although he was flying under an alias, his true identity is known to unauthorized persons.
3. Insurance companies have notified the State Department that they have already paid large sums of money for the loss of the cargo.
4. The Guatemalan government has been informed that an unidentified British M.P. will bring up the question of the sinking of the SPRINGFJORD in Parliament on 20 October.
5. A protracted delay may lead to disclosure of U.S. participation.

RECOMMENDATIONS:

In view of the above conclusions, and the authorization granted by cable of 9 July, personally from the Director to Ambassador Peurifoy, agreeing to the principle of CASTILLO Armas negotiating a settlement with the British government, it is now recommended that a definite sum be made available for the purpose of immediate negotiations. The highest amount claimed, to our knowledge, is \$1,800,000. We recommend that a

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ement up to \$900,000 be approved. It is our opinion and that of Mr. Leddy of the Department of State that a prompt payment of the full amount without any negotiating would be completely out of place because of the poor financial condition of the Guatemalan Treasury, and the Latin American custom of bargaining at great length before payment of a full claim. The immediate payment of \$1,800,000 might therefore be more revealing than any risks incurred from a moderate delay during period of negotiations. CASTILLO Armas should be informed immediately so that he may open negotiations with the British government prior to 20 October, the date the question of the sinking may be raised in Parliament. (He) should be (instructed) to approach the British along the line that while the presence of any ship in a port during a revolution subjects the ship to an unwarranted risk, he would like to show his good faith and accept the responsibility for the sinking by payment of a reasonable indemnity for the loss. He *should* *must* make it plain that his government has few financial assets and *disas* cannot stand too much of a payment, but that he desires to reach an honorable agreement.

Recommendation for approval of \$900,000 is made with the understanding that this may have to be increased before the British agree to final settlement. However, it is believed that CASTILLO Armas can do a better job of negotiating if he is told at this moment the maximum available is \$900,000.

ATT. - 1

J. C. KING  
CWH

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