

CIA HISTORICAL REVIEW PROGRAM ~~SECRET~~
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MEMO FOR RECORD

2003

SUBJ: Conversation with FREAPANE

1. With the approval of CWH, who said he did not plan to discuss the Springfjord case with FREAPANE when he saw him March 14, I discussed the case with FREAPANE for an hour today at the Dupont Plaza.

2. He said that he doesn't pretend to be fully familiar with the whole problem. From time to time he has been asked to give a specific message to ESGHOST and has done so, without always understanding the full background. He asks that, when and if he is asked to take further action in the matter, he be briefed in enough detail to enable him to put Headquarters' views across to ESGHOST.

3. I asked him whether he believes ESGHOST today believes that the US Government, in one way or another, will be picking up the tab. He said it is his definite impression that ESGHOST does so believe. FREAPANE was under the impression that a promise to pick up the tab had been made to ESGHOST "during PBSUCCESS"; ESGHOST once said something to that effect to him. I said ESGHOST was probably referring to the authorization, conveyed to him by Messrs. Mann and Esterline, speaking for State, 16 Oct 54, to negotiate a quick settlement with the British at \$900,000.

4. I then outlined the "plan of action" described in paragraph 17 of the memo of 24 Jan 57 from CWH to DD/P, according to which neither State nor SKIMMER could give ESGHOST any actual funds, and SKIMMER would suggest to him that he raise a bond issue overtly in the U.S., and would say that SKIMMER would do what it could to see that the bond issue was promptly subscribed, but that Guatemala must eventually foot the bill, paying the interest and principal on the bonds. I asked what he thought ESGHOST's reaction to this plan of action would be. He said ESGHOST would probably "blow his stack". In view of the state of Guatemalan public opinion towards Britain, FREAPANE believes raising the funds by a national lottery or by a bond issue in Guatemala would be out of the question. He believes raising the funds by a bond issue in the U.S., with Guatemala eventually footing the bill, is also not practical politics. Even \$900,000 is a lot of money down there, and the repercussions from an attempt to raise it by a bond issue could even seriously threaten the stability of the regime.

5. FREAPANE then said: "There must be some way of introducing the money covertly", and came up with the following plan. SKIMMER would tell ESGHOST it could not give him \$900,000 in one lump, but could give it to him in monthly installments, over the approximately 48 remaining months of his term, if he would agree to handle it as directed by SKIMMER. 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 can pay you such-and-such an amount monthly for the next four years, if and only if you can take care of the London end of the matter, and see to it that it never becomes known publicly that Guatemala has paid Britain anything." ESGHOST, via Greenlee, could make a similar approach to Bigham,

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Engler, Jones & Houston, the admiralty lawyers representing the American claimants.

6. FREAPANE pointed out that such a way of handling it, in addition to insuring the minimum of publicity, would also greatly increase his control over ESGHOST.

7. I stressed to FREAPANE that our discussion was a background one --mainly to get his opinion on what ESGHOST's reaction to the "plan of action" would be-- and asked him to reassure COS that Headquarters would not be taking any action without consulting him, and to tell [] that we would probably be sending him a dispatch.

8. I discussed FREAPANE's idea with [] and with DCWH, both of whom had an initial very favorable reaction to it. DCWH said to write it up.

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