

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

2003

1 July 1955

MEMORANDUM FOR: Chief WH

SUBJECT : Bombing of British Ship SS Springfjord

1. The British freighter, the SS Springfjord, was bombed and sunk while at anchor in the port of San Jose, Guatemala, on 27 June 1954. According to reports, bombs were dropped by an unidentified plane, which presumably was attached to the forces of Carlos CASTILLO Armas, then engaged in a struggle to overthrow the government of Jacobo ARBENZ. No lives were lost, but the cargo, valued at approximately \$1,500,000 was a total loss.

2. The ship was insured for 170,000 pounds (\$476,000) with Norskelloyd, a Norwegian subsidiary of Lloyds's. The 78 American insurance companies, which shared the underwriting of the cargo, made a final settlement with the owners for \$1,250,386. The American underwriter claims were subsequently taken over by the New York City admiralty law firm of Biigham, Engler, Jones and Houston, as representative of the American Cargo War Risk Reinsurance Exchange.

3. Headquarters made a thorough study of the background of the incident in October 1954, after receipt of a cable from Guatemala indicating that an urgent settlement was advisable. Conclusions of the study were that the SS Springfjord was bombed by CASTILLO Armas forces, by order of the Lincoln field command, without authorization either from Headquarters or from Lincoln, and that the pilot was an American national who volunteered to fly for CASTILLO and who is now living in Guatemala. The latter's true identity is known to unauthorized persons, and it was reported that he had boasted locally that he was responsible for the sinking.

4. On 13 October 1954 Headquarters advised the [] that the Embassy should ask CASTILLO to make an immediate settlement with the British representative. CASTILLO was authorized to offer a total of \$900,000 for the ship and cargo, using the argument that while the presence of the SS Springfjord in a port during a revolution subjected it to unwarranted risk the Guatemalan government was anxious to show its good faith by payment of a reasonable sum. The British government had previously stated in a note of 9 July that the attack was clearly illegal. CASTILLO was asked to make clear that his government was in poor financial shape, and that \$900,000 represented a great sacrifice and a gesture of friendship for Great Britain.

5. CASTILLO adopted this suggestion and communicated with the British Legation along the lines outlined on 19 October. During the following weeks there were no further developments, and on 17 January 1955 Counselor Mann of the American Embassy suggested to CASTILLO that the Foreign Office prod the British for a reply to the Guatemalan offer. On 1 March the British government sent a note to Guatemala requesting clarification as to whether the \$900,000 was intended to cover only the ship and that portion of the cargo insured in Great Britain.

6. In connection with the reference in this note to cargo insured in Great Britain, it should be noted that on 23 August 1954 the London Law firm of Sinclair, Roche and Temperley advised the Guatemalan Minister that they were acting on behalf of the underwriters of a shipment of Salvadoran cotton, which was reported to have been on the SS Springfjord. An investigation made through the facilities provided by Cover Division indicated that there was only one item on the ship which was not included in the group settlement made by the 78 American Insurance companies. This item consisted of 976 bales of cotton, which was insured by the Hanover Insurance Company of Boston, through the American International Underwriters. No detailed check of the ship's manifest has been made. The insurance contact of Cover Division made the statement that he had heard reports to the effect that the claim for the 976 bales had been placed twice, but this statement was not amplified.

7. In reply to a query of the [] regarding exactly what the \$900,000 covered, Headquarters stated that it was the intent that the sum was to provide for all losses to the ship and cargo. When the original suggestion was made to CASTILLO it was evidently understood that the cargo was largely insured in Great Britain. It was therefore suggested that CASTILLO use this line of reasoning in making an explanation to the British, and that he inform both the British and the representatives of the American underwriters that the \$900,000 is the total available and that it be split between the two groups in proportion to the investment of each in the ship and cargo.

8. There were no further developments until 13 June when Charge d'affaires Mann was briefed by an official of the British Legation, following a newspaper leak concerning negotiations between the British and President CASTILLO. It was reported that American underwriters had placed a claim of \$1,200,000 with the Guatemalan Embassy in Washington, and that later this amount was increased to \$1,700,000. British underwriters have presented a claim of \$1,300,000 to the British Foreign Office. Of this figure \$280,000 is stated to be for cargo and the balance for the ship and such miscellaneous items as the cost of repatriating the crew. It was indicated that the British Foreign Office regards this figure as inflated and doubts the validity of the \$280,000 cargo claim. The British Ambassador in Washington has been instructed by his government to approach the Department of State regarding the possibility of a joint demarche to the Guatemalan government. In the opinion of the British Legation in Guatemala the sinking of the ship was a wanton act and the claim should therefore be pressed as a matter of principle.

9. In a message of 22 June, the [] said that it was doubtful whether the matter could be settled for \$700,000 though the Guatemalan government is still using this figure in its negotiations. A more realistic figure was stated to be \$1,500,000 to \$2,000,000. It is believed possible that the British will take a reasonable view of a settlement of their claims, as they are aware of the financial condition of the Guatemalan government and of the fact that any payment, by reducing funds available for a domestic developmental program, is tied in with aid from the United States. It was suggested by the Station that CASTILLO be authorized to increase the offer of \$900,000 in an attempt to reach a quick settlement. In replying Headquarters said that the additional funds would be made available if necessary but it was added that all possibilities be exhausted before authorizing CASTILLO to make a settlement. It was reasoned that the underwriters, aware of the financial condition of the Guatemalan government, may be willing to settle for what they can get. In conclusion it was stated that efforts were being made to locate a competent admiralty lawyer, who would be able to offer the legal advice needed by CASTILLO in his negotiations.

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C/WH/III

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