COSTA RICA

FINANCIAL AND MILITARY ASSISTANCE BY THE UNITED STATES TO COSTA RICA

818.51/2-446 : Telegrar

The Secretary of State to the Ambassador in Costa Rica (Johnson)

WASHINGTON, February 4, 1946.

51. Following is text of Eximbank announcement to press for release Feb 5:

Board Directors Eximbank have approved an agreement with Costa Rica subject to approval of National Congress Costa Rica to revise amortization schedule on two loans totaling $7,000,000 Wayne C. Taylor President of Bank announced today. The loans were originally authorized by Eximbank in 1940 and 1942 to assist Costa Rica in construction of Inter-American Highway and tributaries and for emergency financing in Republic as part of general plan of hemispheric defense.

By terms of new agreement repayment of principal scheduled to begin in 1946 is reduced during years 1946 through 1950, after which time Bank has agreed to review amortization rates for succeeding years in light of conditions then existing.

"The purpose of the new agreement Mr. Taylor said is to adjust loan maturity schedule as originally drawn to postwar conditions in Costa Rica. The new schedule of repayments will not only assist Costa Rica but also gives Eximbank greater assurance that repayments can and will be met in accordance with terms now established. This step has been under discussion with Costa Rica for some months” Mr. Taylor said.

1 For previous documentation on military and naval cooperation between the United States and Costa Rica and efforts to improve the financial condition of Costa Rica, see Foreign Relations, 1945, vol. ix, pp. 589-595 and 885-895.

2 Agreement between the Export-Import Bank and the Republic of Costa Rica signed on January 31, 1948, whereby the Export-Import Bank agreed to accept partial payments on the notes and bonds and to waive certain other requirements with respect to the credits of $2,000,000 and $5,000,000; a copy of the agreement was transmitted to Costa Rica in instruction 340, February 1 (818.51/2-146). The credit of $2,000,000 was established by an agreement between the Republic and Eximbank of July 9, 1942, and a supplementary and amendatory agreement of September 28, 1944; the credit of $5,000,000 was established by an agreement between the Republic, the National Bank, and Eximbank of August 21, 1941, as amended November 13, 1942, and April 7, 1943.

3 For press release of September 25, 1940, on this subject, see Foreign Relations, 1940, vol. v, p. 736; for documentation on the loan agreement of July 9, 1942, see ibid., 1942, vol. vi, pp. 239-252.

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Original agreements provided for retiring $2,000,000 in full in period from 1946 to 1952 and $5,000,000 in period from 1946 to 1958. The loans were secured by Costa Rica's pledge of tobacco and gasoline taxes. Annual payments of principal under original terms would have varied between $377,000 and $819,000 with an average between 1946 and 1950 of $520,000 per year. Rate of interest is 4%. In 1946 interest and principal due would have equaled about 7% of Costa Rica's normal total revenues.

The new agreement provides that in the 5-year period from 1946 to 1950 Costa Rica shall make payments for interest and principal combined of not less than $350,000 per year plus any amounts by which gasoline tax receipts shall exceed this sum. For 5-year period Bank has agreed to release its claim upon tobacco tax in order to assist Costa Rica in strengthening her financial economy. The original agreement provisions will again come into operation in 1951 except as they may be modified by mutual agreement at that time. Byrnes

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810.20 Defense/7-1246

The Chargé in Costa Rica (Gibson) to the Secretary of State

CONFIDENTIAL

No. 2126

SAN JOSÉ, JULY 12, 1946.

[RECEIVED JULY 18.]

SUBJECT: United States Army Radio Range Station at Parrita and Use of Costa Rican Airports by United States Army Aircraft

[Here follows reference to an exchange of notes between the Embassy and the Costa Rican Foreign Ministry, June 7 and July 12, 1943 (not printed), constituting an agreement on United States military installation and operation of a radio range and weather station at Parrita Point.]

On the basis of these notes, as well as Embassy Note 45 of December 15, 1941 and the reply of the Secretary of State for Foreign Affairs, Note 82-B of January 6, 1942 (which were enclosed with Embassy despatch No. 1956 of May 17, 1946), it would not appear

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*In airmgram 169, April 23, 1946, Ambassador Johnson informed the Department that Costa Rica had officially accepted the agreement of January 31, and that it had been published in La Gaceta of April 23, 1946, as Legislative Decree No. 503 (818.51/4-2346).

*In telegram 475, June 4, 1946, to San José, Ambassador Johnson was informed that the Export-Import Bank had considered an application of the Electric Company of Costa Rica for a line of credit amounting to about $250,000 for assistance in financing the cost of equipment and material for a new hydroelectric plant; that after a review of the facts presented by the company, and also the financial condition of Costa Rica at that time, had denied the application (818.51/6-446).

*Notes and despatch not printed; this exchange of notes of December 15, 1941, and January 6, 1942, constituted an agreement for military cooperation between the United States and Costa Rica.
to be strictly necessary to take up the question of the continuing operation of the Radio Range Station at Parrita unless the United States or Costa Rica should declare it to be unnecessary to the defense of the continent. However, as the War Department desires to continue the operation of this Radio Range indefinitely, it would seem appropriate to seek new authority for indefinite peacetime operation, provided the Department perceives no objection thereto. The Embassy is of the opinion that the Costa Rican Government would, if requested, promptly and willingly grant such authority.

With reference to landings by United States military aircraft on Costa Rican airports, authority for which was requested by General Crittenden in his letter of April 5, 1946 to Ambassador Johnson (Enclosure No. 1 to despatch 1956), this authority was granted for indefinite peacetime operations by the Costa Rican government voluntarily (and without the solicitation of the Embassy) in its Foreign Office Note 1008-B of April 10, 1946, which was transmitted in English translation to the Department as Enclosure No. 4 to despatch No. 1837 of April 24, 1946. The original Spanish text of this note is enclosed herewith. The pertinent paragraph of this note (which was principally concerned with Civil Aviation) reads as follows:

"Concerning the flights of military planes of the United States Army, though this particular has not been requested, on a previous occasion this Ministry (Ministry of Public Security) decided that the landings would continue in accordance with those made during the war, that is, absolutely free, without the necessity of observing any requirements."

In view of the above statement of the Costa Rican government, it would seem unnecessary to request authority, either at the present time or after the official end of the war, for United States Army aircraft to land in Costa Rica.

Respectfully yours,

Raleigh A. Gibson

810.20 Defense/7-1246

The Acting Secretary of State to the Ambassador in Costa Rica

(Johnson)

[Extracts]

CONFIDENTIAL

WASHINGTON, August 21, 1946.

No. 575

The Acting Secretary of State refers to the Embassy’s despatch no. 2126 of July 12, 1946, concerning the problem of the United States Army in connection with navigation aids and meteorological facilities

*Not printed.

'Thether printed.
at Parrita Point, Costa Rica. As indicated in the Department's instruction no. 522 of July 9, this matter was taken up with the War Department.

The War Department's reply states, in substance, that a military requirement exists for the continued operation of the radio range and weather station at Parrita Point, and that such operation is necessary to insure the safe flight of a considerable number of United States military aircraft using the route in question.

In any case, it is the view of the Department that any arrangement made to meet the War Department's desire for the continued operation of the radio range at Parrita Point should take the form of a new agreement. Such an agreement should not be for an indefinite period but should apply to a period of from three to five years, with the understanding, if necessary, that it can thereafter be renewed periodically.

In this connection, the Department feels that the agreement for military cooperation between the United States and Costa Rica should now be terminated. Before taking this matter up with the War Department, however, the Department desires to have the Embassy's comments on the advisability of initiating such action. It will, therefore, be appreciated if the Embassy will forward its views regarding the possible termination of the above-mentioned agreement.

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8 Not printed.
9 In note No. 531, October 22, 1946, to the Costa Rican Secretary of State for Foreign Affairs (copy enclosed in despatch 2449, October 22) Ambassador Johnson requested renewal by an exchange of notes of the agreement (set forth in the exchange of notes of June 7 and July 12, 1943) concerning the operation by the United States military personnel of the radio range and weather station at Parrita Point (810.20 Defense/10-2246). In despatch 2485, October 28, Ambassador Johnson transmitted a copy of a note from the Costa Rican Foreign Office, October 24, agreeing to the requested renewal for an additional term of 3 years (810.20 Defense/10-2846). In a memorandum of December 6 the Secretary of War was advised of this agreement (810.20 Defense/10-2846).
10 Ambassador Johnson stated in despatch 2449, October 22, 1946, "I am of the opinion, after consulting our Military Attaché, that there is no reason that the agreement for military cooperation between the United States and Costa Rica should not now be terminated." No action, however, was taken to terminate the agreement.
The Acting Secretary of State to the Ambassador in Costa Rica
(Johnson)

CONFIDENTIAL

WASHINGTON, October 4, 1946—6 p.m.

US URGENT

284. Negotiations regarding stabilization agreement mentioned
in telegram 362 Sept 16 in progress but not yet concluded. Matter
presently before National Advisory Council for decision. Embassy’s
views regarding both economic and political advisability this Govt’s
concluding arrangement would be helpful to Dept’s representative
Council. Please send urgent telegram to reach Dept Mon.

ACHESON

818.5151/10-946

Memorandum by Mr. Joseph R. Solana, of the Division of Central
America and Panama Affairs

CONFIDENTIAL

[WASHINGTON], October 9, 1946.

Proposal to purchase colones in order to stabilize the exchange value
of Costa Rica’s currency was brought to Department’s attention by
Treasury on Thursday afternoon, October 3, with request for imme-
diate expression of our views. We were given little time to study
proposal. Department stated that politically there would appear
to be no reasons to support or oppose the fund but that economically
it appeared somewhat unsound. Views Embassy San José were re-
quested and reply of October 6 expresses desire to assist Costa Rica
and present Administration, provided Department favors maintain-
ing colones at present value and helping Picado, but advises that
a “quid pro quo” stipulating tighter fiscal policy and sounder eco-
nomic practice be obtained from Costa Rica.

\(^{11}\) Not printed; Ambassador Johnson referred to a visit in August and Septem-
ber to the United States of the President of National Bank of Costa Rica (Madri-
gal) who, upon his return, informed officers of the Embassy that while in Wash-
ington he had arranged with United States Treasury Department officials to set
up a stabilization credit of up to 5 million dollars in order to support the Costa
Rican monetary unit until such time as the International Monetary Fund was
fully functioning and prepared to assume a similar responsibility (818.51/9-
1646).

\(^{12}\) Telegram 337, not printed.
The working and staff committees of the National Advisory Council have already (prior to receipt of the Embassy's telegram No. 337) approved the fund in principle and proposal is to be submitted for final approval to the governing Board of NAC on Thursday afternoon, October 10, at which time Mr. Clayton could present the Department's views.

Although the Picado Government's opposition would probably object to the fund, we might incur the enmity of an extremely friendly Government if we turned it down. FN believes that disapproval of the fund could result in a chaotic exchange and financial situation, might lead to default on payments on the Exim Bank loans, and would place great pressure on the exchange value of the colon.

The gold and exchange reserve of U.S. $3,200,000 available to the Government is equivalent to slightly more than seven weeks requirements at present rate of expenditure of foreign exchange. The inflow of exchange during the present period is low comparatively. Costa Rica depends on import duties for 40 percent of its income. Any tightening of exchange control, in addition to being politically difficult, would result in decreased imports consequently reducing revenue from import duties and throwing the budget out of balance even more than at present.

President Picado since his inauguration has advocated financial and fiscal reforms and he and his Minister of Finance instituted some measure of fiscal reform in September 1945. However, they have been consistently blocked by the wealthy landowners and coffee growers, politicians, and by Congress in their efforts to institute a more scientific and productive tax system. On the other hand, they have not made great efforts to reduce Government expenditures for political reasons and because the Picado Government is inherently weak politically, the President having few personal followers.24

24 Department's telegram 375, December 24, 1946, to San José, transmitted the following message from the Treasury Department to the National Bank of Costa Rica: "Your message that Costa Rica's foreign exchange position has improved to such an extent that you no longer need stabilization credits is indeed gratifying. Please accept the Treasury's best wishes for your increasing prosperity." (818.51/12-2446)
Memorandum of Conversation, by the Divisional Assistant of the Aviation Division (Cyr)

[WASHINGTON,] December 2, 1946.

Subject: Costa Rican Ambassador's note of October 21, 1946 concerning the problem of developing airfields and airfield facilities in Costa Rica.15

Participants: Señor Don Francisco de P. Gutierrez, Costa Rican Ambassador to the United States
Mr. Philip Kidd, the Ambassador's attorney
Mr. H. G. Tarrington, Civil Aeronautics Administration
Mr. D. D. Thomas, Civil Aeronautics Administration
Mr. Murray Wise, State Department
Mr. Henry H. McGeorge, State Department 16
Mr. Leo G. Cyr, State Department

The Ambassador explained the purpose of the above-mentioned note by saying that Costa Rica has spent $1,000,000 on the airport at San José without having produced an airport that can be used by four motored planes. The runways will have to be lengthened considerably and the airport otherwise improved, he stated, if San José is to assume a place on the international civil aviation map. Moreover, the Costa Rican Government now suspects that the San José airport is not well located and before expending more money wishes to have the technical advice of experts in deciding whether to develop a new airport at Alejuela (10 miles from San José) or to improve the San José airport. He asked whether the United States could provide such assistance.

Mr. Wise recalled that Mr. Carl A. Posey of CAA had already prepared a study entitled "Airport Study for San José, Costa Rica". The Ambassador stated that he had not been aware of the existence of this study and seemed to be satisfied that it would answer the technical questions involved. He was furnished with a copy of the study and informed that four copies have been made available to the Costa Rican Government in San José.

The meeting closed with the understanding that the Costa Ricans will review Mr. Posey's study and will discuss the technical phases of the problem with the above-mentioned CAA representatives. Any questions which may later arise with respect to financial assistance or in respect to training of Costa Rican personnel will be raised through diplomatic channels.

15 Note not printed.
16 Divisional Assistant, Office of International Information and Cultural Affairs.
The Acting Secretary of State to the Costa Rican Ambassador
(Gutiérrez)

CONFIDENTIAL

WASHINGTON, December 10, 1946.

EXCELLENcy: I have the honor to transmit herewith two copies each of Statement LL–9 and supporting schedules 37 reporting charges made against Your Excellency’s Government during the period from March 1, 1946 through May 31, 1946, covering defense matériel transferred in accordance with the terms of the Lend-Lease Agreement signed on January 16, 1942 18 by representatives of the Republic of Costa Rica and the United States of America.

It will be noted that there were no charges during the period under reference and that charges through May 31, 1946 aggregate the grand total of $151,967.52. Of this grand total the sum of $82,000 represents the appropriate percentage due on account from Your Excellency’s Government under the terms specified in the Agreement. This Department requested payment of this sum, the same sum that was due at that time, in its note of September 4, 1945, and again in its notes of January 11, 1946, April 10, 1946, and September 26, 1946.19 Similar requests for payment were submitted in notes dated July 14, 1944, November 28, 1944, March 21, 1945, and June 12, 1945.19 No payments have been received to date.

I bring this matter most earnestly to the attention of Your Excellency’s Government in the hope that there may be received as soon as possible from the Government of Costa Rica a check in the amount of $82,000, which would cover sums due including arrears. Such a check should be drawn to the order of the “Treasurer of the United States” and should be sent to this Department for appropriate disposition.

It is requested that the enclosed statement and supporting schedules be treated by Your Excellency’s Government on a most confidential basis.

Accept [etc.]

For the Acting Secretary of State:

SPRUILLE BRADEN

818.24/12–1046

The Acting Secretary of State to the Ambassador in Costa Rica (Johnson)

SECRET

WASHINGTON, December 12, 1946—9 p.m.

357. Policy of military assistance to Costa Rica has been limited primarily to helpfulness in organizing and training officers prin-

37 None printed.
39 None printed.
cipally for police duty. With concurrence interested Costa Rican authorities, other than René Picado,\(^2\) policy has been to discourage growth of military organization.\(^2\) Costa Rican public, traditionally peaceful, apparently has always feared armaments and generally speaking has opposed entry of same into Republic. Importation of arms by Military Mission might well be misinterpreted, publicized and grossly exaggerated. Under present local political atmosphere Emb most likely would be drawn embarrassingly into matter. Accordingly, Dept concurs fully with position taken by Amb and supports his disapproval of proposed requisition (Emb desp 2628, Nov. 29\(^2\)).

War Dept informed.

ACHESON

UNITED STATES-COSTA RICAN COOPERATION IN INTERNATIONAL, POLITICAL, AND LABOR RELATIONS

818.00/2-1146

The Ambassador in Costa Rica (Johnson) to the Secretary of State

CONFIDENTIAL

San José, February 11, 1946.

No. 1587

[Received February 15.]

[Extract]

Subject: Elections Take Place with Comparative Freedom and with only very Minor Instances of Violence.

Sir: . . .

President Picado did his utmost personally to secure free elections and this fact has been noted even in the Opposition press. At an informal interview with the President this morning he hold me that he was very pleased with the result of his efforts to perpetuate democratic processes and to have free elections without violence. He

\(^2\) General René Picado, Costa Rican Minister of Public Security.

\(^2\) In reply to a request of August 29 for assistance in obtaining five aircraft which the Costa Rican Government desired to purchase in order to organize a small military air force, the Department informed the Costa Rican Ambassador that inasmuch as Costa Rica's lend-lease account was entirely in arrears, this Government could not give serious consideration to the request for help in establishing an air force in Costa Rica. The Ambassador in Costa Rica was informed of this action, in instruction 646, October 30 (818.248/5-2746).

\(^2\) Not printed; it transmitted a requisition submitted by the Chief of the United States Military Mission to Costa Rica (Messinger) for United States weapons and ammunition which he considered necessary to demonstrate in order to train the Costa Rican Army in United States tactics and methods of instruction and to acquaint them with United States weapons. Ambassador Johnson indicated that he could find nothing in the agreement regarding the Military Mission (July 14, 1941, Department of State Executive Agreement Series No. 212) stating that it was the duty of the Mission to acquaint the Costa Rican Army with United States weapons, and further, if it was not the intention of the United States Government to supply the Costa Rican Army with such weapons in the near future, he could see little object in training the Army in use of such weapons (818.20 Missions/11-2946).
added that he was very grateful to me for the moral strength I had
given him in personal conversations regarding honestly conducted elec-
tions. He also thanked me for the informal suggestion I made to
him a week ago regarding the possibility of a "fireside chat" over
the radio with the people of Costa Rica regarding his intentions of
maintaining the freedom of elections and his desire to avoid violence
of any kind. (The President did speak over the radio on the evening
before election day, my despatch, February 11, 1946, No. 1586 23)

I have been most careful not to give even the semblance of inter-
fering in internal politics, but within this principle and within
the instructions of the Department I have done what little was possible
to encourage free elections and a peaceful solution of political diffi-
culties. My suggestion to the President regarding radio speech ap-
ppears to have been helpful in obtaining the desired results. It will
be recalled that several months ago upon my return from leave of
absence I gave a press conference with the express authority of the
Department in which I touched upon freedom of elections. I have
also taken occasion to talk informally and personally with the leaders
of all the political parties and have emphasized the great respect with
which Costa Rica is regarded in the United States and in Europe, be-
because of the stability of its Government and truly democratic proc-
esses maintained in Costa Rica.

A week before the elections I caused to be published in the local
press the radio conversation in which Mr. Ellis Briggs 24 was quoted
as saying that we feel a greater friendship toward those governments
which are based upon the approbation, freely and periodically ex-
pressed, of the governed. In the preamble to the quotations contained
in the article it was stated that the American people heartily believe
in peaceful and democratic processes.

I believe that within the very definite bounds of what diplomatic
officers may say, this Embassy has contributed something to the con-
tinuance of democratic processes in Costa Rica as exemplified in
yesterday's elections.

Few and minor incidents of violence took place and while there will
be a considerable number of specific accusations regarding fraud, there
is no doubt that the elections were conducted in a comparatively honest
manner.

An analysis of the results of the elections will be forwarded
immediately.

Respectfully yours,

HALLIETT JOHNSON

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23 Not printed.
24 Director of the Office of American Republic Affairs.
818.00/2-2046

The Ambassador in Costa Rica (Johnson) to the Secretary of State

[Extracts]

CONFIDENTIAL COSTA RICA, February 20, 1946.
No. 1621 [Received February 28.]

SIR: I have the honor to report that with the holding of midterm congressional elections on February 10 of this year, President Picado has reached the half-way mark of his period of office. (Picado was elected, it will be remembered, on February 13 and inaugurated President on May 8, 1944). Having reached this point it is felt that a review of the President's two years in office may be of use to the Department.

International

The attitude of the Picado Government towards the United States has been from the beginning one of complete cooperation. Both President Picado and Foreign Minister Acosta have time and time again reiterated that the basis of the Administration's foreign policy is to follow the exclusive lead of the United States. Such has proven to be the case in many instances, notably at both the Chapultepec and San Francisco Conferences.25

In at least one case, that of Spain, the policy adopted by the Administration has followed United States guidance to the detriment of the Government's popularity. It will be remembered that Congress voted to request that the Government break relations with the Franco regime, the press has been unanimous in requesting the same thing, and in 1945 an anti-Franco week was organized which was participated in by various groups throughout the country. Both the President and the Foreign Minister, however, have remained steadfast in their determination not to sever diplomatic relations until such time as the United States should do so.

Respectfully yours,

For the Ambassador:

LIVINGSTON D. WATROUS
Third Secretary

The Ambassador in Costa Rica (Johnson) to the Secretary of State

CONFIDENTIAL

San José, March 22, 1946.
No. 1741

[Received March 27.]

Subject: Attitude of Costa Rica in the Event of Trouble between the United States and Russia.

Sir: I have the honor to report that President Picado and the Minister of Foreign Affairs have many times assured me that the international policy of Costa Rica will be guided by that of the United States. The sincerity of these statements has been proven many times.

Communism and the Soviet Government has long been the “bête noire” of Don Julio Acosta, and his attitude in case of trouble between the United States and Russia would be unequivocal. The President has no such obsession regarding Russia, but his friendship for the United States is so firm that no doubt exists as to the position he would take in case of such trouble. The same may be said for the other members of the Costa Rican Government.

Moreover, the followers of Picado, of the Calderón Guardias and of the opposition leaders would back up the Government solidly in any position it might take in favor of the United States against Russia. The leaders of the opposition are continually inveighing against Communism, both in and out of Costa Rica.

There remains the ex-Communist Vanguardia Popular Party, which according to available figures controls some 10 to 15% of those entitled to vote in Costa Rica. Manuel Mora, the leader of the party, is an opportunist and an admirer of the Soviets. He has, however, cooperated with American business interests and has stated to me that he follows no “line” other than the betterment of the laboring classes. Some of the subleaders of Vanguardia Popular might side with Russia against the United States, either openly or in secret, but I believe that the majority of their followers would be pro-United States in almost any eventuality. Mora himself would be governed by circumstances, and it is difficult to predict accurately what his attitude would be. It is true that Trabajo, the weekly paper of Vanguardia Popular contains many articles attacking capitalism and a few criticizing the United States and its attitude toward Russia, but this paper does not necessarily represent the attitude of Mora, who after V–J Day organized a large pro-Allied demonstration which turned out to be mainly pro-United States.

Rafael Angel Calderón Guardia, Costa Rican President, 1940–44.
In summary it can safely be said that not only the Government but that a great majority of the Costa Rican people would be with us as opposed to Russia in any struggle between the two countries.

Respectfully yours,

HALLETT JOHNSON

818.5051/5-946

The Ambassador in Costa Rica (Johnson) to the Secretary of State

No. 1913  SAN JOSÉ, May 9, 1946.

[Received May 17.]

SIR: I have the honor to report that in the May 8th edition of La Gaceta there was published a decree removing certain agencies of the Government of the United States from the jurisdiction of Costa Rican courts. The decree, which is transmitted, read in translation as follows:

[Here follows text of Executive decree No. 1, by President Teodoro Picado, May 6, 1946.]

The decree will relieve the Institute of Inter-American Affairs, the Public Roads Administration, the Department of Agronomy, Rubber Experimental Station, Rubber Development Corporation, and the Cooperative Public Health Service from all claims in any Tribunal of Costa Rica. Of importance is the fact that the decree will permit the agencies to refuse the payment of “cesantía” and “previso”, since it will be impossible to demand their presence before a Labor Court.

It is understood, however, that the agencies, in case they so desire, are still in the position to pay “previso” and “cesantía” from an administrative standpoint. These payments are called for under the Codigo de Trabajo, a copy of which was forwarded in this Embassy’s despatch No. 540 of September 7, 1943.

While the legal position of our agencies is clear, I believe that the policy question is still open. Contracts of various agencies with the Costa Rican Government are very different in form. The Public Roads Administration is specifically excepted from the provisions of the Labor Code, while it is stated in the Cinchona contract that

27 Cesantía, a term referring to terminal leave pay; previso, a term referring to payment of salary in lieu of 15-30 days’ written notice prior to termination of employee’s contract of employment.
28 Subject: “Transmitting Copies of New Costa Rican Labor Code.” [Footnote in the original.]
29 Not printed.
30 For memorandum of understanding on establishment of the cinchona plantation, March 12, 1943, see Foreign Relations, 1943, vol. vi, p. 96. Contract for effectuating the memorandum of understanding, March 4, 1944, not printed.
the provisions of the Labor Code must be followed. Mr. Stadtmiller, the head of the Cinchona development which now functions under the Reconstruction Finance Corporation, informs me that he has already made many payments for "preaviso" and "cesantía." Mr. Ray Hill, the Assistant Director of the Food Supply Division of the Institute of Inter-American Affairs, who is now in San José, informs me that he understands that Institute employees in Peru and Venezuela are paid preaviso and cesantía. He adds that, since it is the policy of his office to follow local customs, Christmas bonuses are also given to such employees.

The above-mentioned decree makes it clear that the American organizations cited cannot be compelled to submit to the jurisdiction of a Costa Rican Court, but the question of policy still remains, first as to whether immunity should be claimed on this basis, and second as to whether preaviso and cesantía should not be paid in order to avoid complaints to the courts. Officers of the Embassy can, of course, claim diplomatic immunity under the authority of the Department, but there may be cases in which the Department would not authorize their so doing. The same question might arise with regard to cases brought before the Labor Court with regard to Costa Rican employees of United States Government organizations. It has been pointed out to me that an obstreperous "Chief of Party" might well rely on the lack of jurisdiction of Costa Rican courts in cases where there might be no moral justification for such action.

I venture to suggest, therefore, that the Department determine the policy which should be followed regarding cases brought under local Labor Codes, and should give specific instructions to the Embassies and to the Chiefs of Party in Latin American countries. I am personally of the opinion that preaviso and cesantía should be paid voluntarily in order that the good done by the expenditure of hundreds of thousands of dollars in the furtherance of the Good Neighbor Policy should not be undone by a refusal to follow the provisions of local Labor Codes. Public opinion is a very sensitive thing, and if laborers in these countries should vociferously complain that when they work for an American corporation they do not receive the benefits of their own Labor Code, much damage might be done. Moreover, while in

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30 During 1946 the Department of State participated, with other Governmental agencies concerned, in inconclusive discussions on the expressed desire of the Reconstruction Finance Corporation to dispose of its interests in the cinchona plantation at Isla Bonita, Costa Rica, at the earliest possible date, but efforts to settle the question of disposition of this Governmental project were extended into 1947.

With regard to the United States interest in the cinchona program, see the testimony of William E. Houk, special representative of the Reconstruction Finance Corporation, on August 30, 1946, printed in Investigation of the National Defense Program: Hearings Before a Special Committee Investigating the National Defense Program, United States Senate, 80th Cong., 1st sss., part 37, pp. 21091-21095.
theory local laborers are adequately protected under the United States Employees Compensation Act and other legislation, I understand that these acts have not been translated into Spanish and that the red tape necessary for non-English speaking peons to avail themselves of the provisions of our legislation would make it practically impossible for them to do so. I understand, for example, that there are no doctors in Costa Rica who are nominated in foreign countries under the Compensation Act to forward required proof in specific instances to American authorities.

I should appreciate the Department's instructions in the premises at the Department's early convenience.

Respectfully yours,

Hallett Johnson

818.00/5-1646

The Assistant Secretary of State (Braden) to the Ambassador in Costa Rica (Johnson)

personal

WASHINGTON, May 20, 1946.

Dear Hallett: I have been interested in your despatches nos. 1767, 1797 and 1864 of April 1, 8 and 86 respectively, your personal letters of April 24 and May 9 32 to Murray Wise 32 and other reports from the Embassy relative to the current political situation in Costa Rica. As you have pointed out and as has been seen from the remarks recently made by Ambassador Gutiérrez to me and to other officers of the Department, there has been a tendency both among Administration and Opposition leaders to misinterpret the attitude of the Embassy and the Department toward present Costa Rican political issues.

I have told Ambassador Gutiérrez with respect to Costa Rican politics that this Government would definitely maintain its policy of non-participation in the internal affairs of the other American republics. I gave him specific instances of my own endeavors and actions to prevent United States intervention in the political affairs of Cuba and Argentina during recent campaigns in those countries and let it be known that this represented the policy of the United States Government and that Costa Rica would be no exception to our policy not to interfere in what are purely internal affairs of another republic.

As you know, I was also visited by Otilio Ulite 33 and Rafael Calderón Guardia. I was most emphatic in telling them that while this Government would not participate in any way in the internal affairs of Costa Rica I hoped that the responsible citizens of that

32 None printed.
33 Area Specialist, Division of Caribbean and Central American Affairs.
36 Costa Rican newspaperman.
country would during the coming political campaign endeavor to maintain the traditional peaceful political record of Costa Rica and that they would do everything possible to insure democratic procedures and to avoid any use of arms. I expressed the hope that the candidate elected to the presidency in 1948 would represent the free choice of the people.

I sincerely hope that the situation which now obtains in Costa Rica will soon give way to an era where individualized politics with accompanying emotional upheavals will be replaced by party politics and reason. In the meantime we must remain neutral and impartial and every act of ours must indicate to observers that we are definitely committed to a policy of non-interference in Costa Rican political matters. I think the Administration and the Opposition are now quite well and correctly informed of our attitude and know of our special feeling of friendship toward honest and democratic governments.

With warm personal regards,
Sincerely yours,

Spruille Braden

501/10–254
The Ambassador in Costa Rica (Johnson) to the Secretary of State

CONFIDENTIAL
San José, October 23, 1946.
No. 2480
[Received October 28.]

Sir: With reference to the Department’s confidential circular telegram, dated October 8, 1946, 8 a.m., I have the honor to make the following report on the attitude of the Costa Rican Government towards various questions which are coming up in the meeting of the Assembly of the United Nations.

The Costa Rican delegation to the Assembly has been instructed to only telegraph the Ministry of Foreign Affairs regarding the most important issues and, in general, to follow the line desired by the United States Government.

The Minister for Foreign Affairs is against the use of veto power in the United Nations organization and has instructed the Costa Rican delegates, now in New York, accordingly. Don Julio Acosta has also instructed Costa Rican representatives, however, to be guided on this question by the United States representatives, even though the

24 Not printed.
25 The General Assembly of the United Nations held the second part of its first session in New York, October 23–December 16, 1946. For documentation, see vol. 1.
latter should hold a contrary opinion to that of the Costa Rican Government.

There would appear to be but a single matter in which the Minister for Foreign Affairs would be unwilling to follow our lead, namely, the question of relations with the Spanish Government. Señor Acosta informed me yesterday that the Minister of Ecuador to Guatemala recently asked the Costa Rican Minister there whether, if the question of breaking relations with Franco should arise at the Assembly, Costa Rica would not advocate such action. The Minister was instructed to reply in the negative. Señor Acosta is very much under the influence of the Spanish Chargé d'Affaires here, Señor Casares, who has consistently and successfully endeavored to become a great personal friend of the Minister for Foreign Affairs (it is still true, however, that the Costa Rican Congress and press have been steadily in favor of breaking relations with the Franco Government).

Señor Acosta has also informed me that he knows nothing of an attempt of an Argentine representative to the Assembly to call a meeting of Latin-American representatives in order to form a common policy. I am certain that the Minister would be opposed to any such attempt.

At the conclusion of our conversation the Minister stated that he knows nothing of the reported intention of the Salvadoran delegate to inform the Assembly with regard to possible plans looking toward the bringing about of Central American unity. He added that there had been no consultation with his Government on this subject.

Respectfully yours, 

Hallett Johnson

818.5051/5-946

The Secretary of State to the Ambassador in Costa Rica (Johnson)

No. 680  

WASHINGTON, November 26, 1946.

The Secretary of State refers to the Embassy's despatch no. 1913 of May 9, 1946, in regard to the status of the employees of certain United States Government corporations that operate in Costa Rica vis-à-vis the courts of that country.

That a Government agency operating in a foreign country is entitled to sovereign immunity in that country is a recognized principle of international law. This is equally true in Costa Rica, and there a Presidential decree has been issued with respect to United States Government agencies operating in that country giving concrete expression to that fact. Consequently, no issue is involved in regard to the recognition of this principle.
From a policy standpoint The Institute of Inter-American Affairs and the Inter-American Educational Foundation, Inc. have quite properly insisted that they are entitled to sovereign immunity, but at the same time, according to the Department’s understanding, have endeavored insofar as possible to conform to local customs and usages in the employment of national personnel, not as a matter of duty or obligation but rather as a gesture of courtesy and good will.

It should be noted, however, that the practice of the corporations under reference has not been uniform in the various American republics with respect to payment of Social Security and other similar benefits. In some countries, notably Chile and Ecuador, the contributions called for by local laws have been adopted by the corporations as the basis or scale for making such payments, and, as a consequence, there has been in effect almost complete compliance with such laws although on a voluntary basis. In other countries no compliance has been made at all and in still other countries there has been a partial compliance. The variance in practice may possibly be explained, in part at least, as a result of the comparative strength of the Social Security and labor systems and the political situation existing in the particular country at the time the decisions were made. It has not been considered advisable to attempt to lay down an invariable course of action applicable to the activities of the corporations in all the countries, and it has seemed more desirable to follow whenever possible the precedents which had already been established in that regard.

As regards the transfer of certain employees of the Health and Sanitation Division of The Institute of Inter-American Affairs to the Servicio in Costa Rica, it is understood that this has been effected in such a way as to comply with “preaviso” requirements.

In the case of the Food Mission of the Institute which operates in Costa Rica, substantial compliance with those laws has been made on a voluntary basis by promulgating locally regulations which follow very closely the national Código, especially with respect to the provisions of preaviso and cesantía. Upon termination of employment their personnel has been paid amounts equivalent to the cesantía received by employees of private concerns.

In regard to the compensation of local employees for injuries, it has been held that all classes of employees of the corporations are considered to come under the protection of the United States Employees’ Compensation Act and the Field Manual of the corporations provides that claims for injuries and death shall be referred to the Commissioner of the United States Employees’ Compensation Com-
mission36 for action and payment. With the amendment of the United States Employees’ Compensation Act (Public Law 161, 79th Congress, approved, July 28, 1945) considerable freedom has been given to the Commission with respect to the payments of compensation for disability of employees in foreign countries. The Commission can, in effect, adopt either the local laws, customs, or practices or promulgate its own schedules of compensation. It is the understanding of the Department that the Resident Claims Commissioner in the Canal Zone, by letter dated September 18, 1945,37 indicated to the United States Ambassador to Costa Rica that it intends to follow the provisions of the local laws in regard to payments to Costa Rican nationals who are employees of the corporations. Consequently, there is no reason to believe that such local employees are not adequately protected against injury. To comply in addition with the labor laws of Costa Rica by purchasing locally a policy of Workmen’s Compensation Insurance would increase the expenses of the corporations and uselessly duplicate their insurance protection. The additional cost required would have to be defrayed by the corporations and there is certainly a strong possibility that the Comptroller General of the United States would question the propriety of such payments.

It is the understanding of the Department that exceptions have already been taken by the General Accounting Office in regard to payments made on behalf of Social Security in Ecuador. In making such exceptions the Comptroller General referred to his previous ruling in the same sense and cited Volume IV of Hackworth’s Digest of International Law, page 798, as authority for the doctrine that the United States, in its capacity of employer of subjects of foreign countries in its consulates, embassies, etc. abroad, is not required to comply with the laws of foreign governments requiring payments of a similar nature.

It was believed in view thereof, that it would be desirable from the standpoint of good relations, especially because of the type of operations being conducted by the corporations abroad in the fields of Health and Sanitation, Agriculture and Education, that some method be worked out to legalize the payments or contributions under the social security or labor laws of the local governments. In order to clarify the situation generally and with the view to ratifying payments already made by the corporations and providing authority for payments in the future, resolutions of that nature were adopted by the Boards of

36 Functions of this Commission were assumed by the Bureau of Employees’ Compensation which was created by the Federal Security Administrator, effective July 16, 1946.
37 Not printed.
Directors of The Institute of Inter-American Affairs and the Inter-American Educational Foundation, Inc. on July 15, 1946. These resolutions authorize the Ranking Field Officials of the corporations to determine in each country whether or not and to what extent compliance on a voluntary basis should be made by the corporations with the local social security and labor laws. In arriving at a decision on these points the Ranking Field Officials will be expected to be guided in making an appraisement of the importance of the local factors involved by the experience of the United States diplomatic missions. Relating this to the questions presented in Costa Rica, the effect would be to permit a reappraisal of the situation in the light of existing circumstances by the Ranking Field Officials of the corporations and the U.S. Embassy there.