

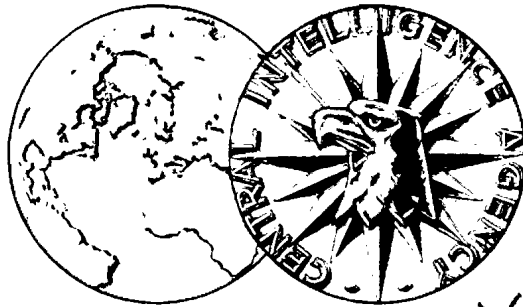
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COSTA RICA

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Published 20 February 1950

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COSTA RICA

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SUMMARY

Because hostile forces established in Costa Rica would be in a position to interfere with the operation of the Panama Canal and the Caribbean sea routes, denial of Costa Rica to enemy clandestine or open operations is a matter of importance to US security. In the event of an East-West war, Costa Rica can be expected to side with the US and against the USSR and to fulfill its obligations for Hemisphere defense under the Rio pact. Also, the country would be willing to permit the US to establish wartime bases on its territory for the protection of the Panama Canal and Caribbean shipping. In addition the country can be counted upon to increase substantially its production of abacá, ipecac root, balsa, and mahogany—strategic materials—if such an increase is regarded as desirable by the US.

The US and Costa Rica are today closely allied by their economies. In 1948 over 75 percent of the country's foreign trade was with the US, and one US corporation, the United Fruit Company, spent in Costa Rica in 1947 over \$14,000,000, the approximate equivalent of total Costa Rican government expenditures for the same year. Costa Rican economy is based for the most part on agriculture, and prosperity depends to a great extent on the US demand for its four principal exports—coffee, bananas, cacao, and abacá.

The Costa Rican Government is republican in form. A new constitution became effective on 8 November 1949 when Otilio Ulate was inaugurated as President following eighteen months of rule by a junta headed by José Figueres after the 1948 civil war. In the modern era the primary rights of citizens have,

for the most part, been well respected except during the last years of the Calderón-dominated Picado regime (1944-48), and to some extent after the civil war of 1948.

In its international relationships, Costa Rica recognizes the US as the dominant power in the Caribbean. The principal features of the country's relations with foreign countries and entities are: a desire for friendship with the US; membership in the Council of Organization of American States; an effort to promote a satisfactory working relationship with the United Fruit Company; and a conflict between a desire, on the one hand, to pursue an isolationist attitude toward the other republics of Middle America and the Caribbean, and on the other, to participate actively in regional intergovernmental relationships.

The country is incapable of offering effective military resistance to any but the smallest and most ineffectual invading forces. There is a strong anti-militarist tradition in the country and, technically speaking, there is no Costa Rican army. In its place there is a civil guard which performs both military and police functions. Costa Rica has no navy or air force.

The Soviet or Soviet-inspired sabotage potential in the country is limited. The former Communist Party, known as the *Vanguardia Popular*, was outlawed after the civil war and activities were almost at a standstill. It has now been renamed the National Democratic Party and the Communists are slowly increasing their activities. A substantial increase in Communist strength is not foreseen.

Note: The intelligence organizations of the Departments of the Army, Navy, and the Air Force have concurred in this report. The Intelligence Organization of the Department of State concurs with the exception noted on page 17. The report is based on information available to CIA as of December 1949.

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CHAPTER I

POLITICAL SITUATION

1. Genesis of the Present Political System.

Costa Rica declared its independence from Spain and established a republican form of government in 1821. Although the country was among the first to foresee the disadvantages of the Central American Union of which it was a member, it was not until 1848 that the Congress declared the nation sovereign and independent of any other state. The country had little preparation for self-government, and, during the first fifty years after its independence in 1821, there were sharp party conflicts, *coups d'état*, dictatorships, and a military oligarchy. Governmental stability was eventually achieved, however, somewhat more quickly and with greater ease than by the other Central American republics. The country had a sounder basis on which to establish self-government. There were few Indians in this part of Central America, and the colonial government had not imported negroes. Therefore, the small population was rather homogeneous with respect to race, language, and religion. Also, there was less class stratification because of equitable land distribution, the comparative absence of Indian and slave labor, and the agricultural subsistence economy that prevailed before the introduction of coffee and bananas.

Costa Rica's modern political history dates roughly from 1889, when for the first time a fairly large number of people actually participated in a presidential election. The governmental system was, by Latin American standards, stable between 1889 and 1948 except for a *coup d'état* in 1917 and a counter-revolution in 1919.

In 1948, Rafael Calderón Guardia, who had dominated the political regime of President Picado, sought election for the presidency. Although his opponent, Otilio Ulate, was elected, a majority of Calderón Guardia adherents was

returned to Congress. The new Congress, dominated by Calderón, annulled Ulate's election and civil war ensued. José Figueres, a wealthy coffee planter, took up the cause of Ulate, led the revolutionary forces to victory, and proclaimed himself chief of a governing junta. Ulate and Figueres agreed that the junta would yield office to Ulate when order was restored to the country and a new constitution adopted. The transfer of power took place on 8 November 1949.

2. Present Governmental Structure.

The form of government is republican, but the political system is not wholly democratic. An upper class tends to dominate the political life of the country. Political parties frequently disintegrate between elections, so that it is seldom that the people can hold a party responsible for the conduct of elected representatives; the President and the Congress can sometimes disregard public opinion without danger of electoral reprisals. The primary rights of citizens, such as free speech, freedom of the press, of assembly and of religion, and the inviolability of property rights have, for the most part, been well respected in the modern era. In the last years of the Calderón-dominated Picado administration (1944-48), however, they were not universally respected and have been disregarded during the past year with respect to Communists and leaders of the government who were ousted by the 1948 civil war.

Although the 1871 constitution and the constitution which became effective on 8 November 1949 have provided for a considerable measure of local autonomy, the governmental system is, in reality, highly centralized, embracing many of the traditions inherited from Spanish colonial times. As in the US, there is a distribution of power among the executive, legislative, and judicial branches. In practice,

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the executive branch enjoys a preponderance of power and often dominates the legislative and judicial branches as well as provincial and municipal governments. The new constitution is a revision of the 1871 document, and is modelled to a great extent on the US constitution.¹

3. Political Parties.

Political parties of the type current in the US and Great Britain do not exist in Costa Rica. Many Costa Rican political parties are, in reality, little more than aggregations of the followers of ambitious politicians. They are often temporary in character and relatively unimportant.

a. *National Union Party (PUN).*

This is the personal political party of President Otilio Ulate. It polled 71.7 percent of the total votes cast in the congressional election of 2 October 1949 and won 33 of the 45 seats in the assembly. The party really has no specific political or economic principles except, perhaps, the belief in constitutional government. It is neither outstandingly liberal nor conservative, and has merely wished to seat Ulate in the presidency and to win for itself control of the government and the prerogatives thereof.

When Ulate ran for President in 1948 all parties opposing the Calderonista administration united in nominating him for President. Although the titular head of the National Union Party, he consented to run on a "Democratic Union" ticket as a device for broadening the base of his political appeal and securing the support of the Social Democratic Party.

b. *Social Democratic Party.*

This small party, formed in 1943, represents an aggregation of political amateurs, for the most part young men, who oppose old-fashioned party politics and who claim to prefer a carefully framed platform truly representative of the convictions of the party's members—one for which the party members in Congress and the presidential candidate, if elected, will work. The party also favors sound government based on a permanent civil service, monetary reforms, a balanced budget, and

¹ An analysis of the new constitution will be issued as an addendum to this document.

long-range planning for the improvement of the economic and social conditions of the country.

This party provided a majority of the troop commanders in the civil war of 1948. As a result, six members of the military junta which governed the country until November 1949 were members. Nevertheless, it was soundly beaten in the December 1948 election for the constitutional assembly and in the 1949 congressional elections, although it campaigned aggressively. The defeats appeared to indicate that the public preferred to see the country revert to traditional political methods rather than adopt the reforms and the concept of political conduct that the Social Democrats espoused. Another reason for its lack of popular appeal was the military record of its leaders. Many felt them to be inconsistent with Costa Rica's pacific traditions.

c. *National Republican Party.*

This is the party of the Calderón Guardia brothers, which (at least temporarily) has disintegrated since its party leaders were defeated in the 1948 civil war and subsequently driven into exile. The party was organized in 1931 and elected all four Presidents between 1932 and 1948. It retained power by means of its particular appeal to the lower classes, by graft, by patronage, and by manipulations of the electoral laws. The party entered into a coalition with the local Communist Party (*Vanguardia Popular*) in 1944, and, under pressure from the Communists, passed most of Costa Rica's modern social and labor legislation. Although no longer really existent, it still enjoys a certain amount of popularity among the country's lower classes who have not yet transferred their allegiance to other political groups.

d. *Communist Party (Vanguardia Popular, Now Renamed the National Democratic Party).*

The *Vanguardia Popular* was outlawed by the junta on 17 July 1948. Manuel Mora and others of its leaders are now in exile. The party's chief source of strength, the Communist-dominated Confederation of Workers of Costa Rica (CTCR) with its subsidiary unions, is disorganized. Communist elements are working persistently in Costa Rica, but thus

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far have been unable to recapture their former influence and power. In the fall of 1949 the *Vanguardia Popular* was reorganized under the name of the National Democratic Party. The party was not allowed to present a slate of candidates in the congressional election of October 1949 and the party ordered its members to support the Constitutional Party.

Until the overthrow of the Calderonistas in 1948, the Communists occupied a political position unwarranted on the basis of their numerical strength. Mora's influence tended to minimize the international revolutionary aspect of party action and center the party's appeal to the voters on the need for social and economic legislation designed to improve the lot of the lower classes. By a series of astute maneuvers, the party became an important part of the Calderón Guardia political machine. In the 1944 presidential election, armed bands of Communists were used by the Calderonistas to perpetrate election frauds, and, during the 1948 presidential campaign, groups of armed ruffians were again used in an attempt to terrorize the population into voting for the Calderonista candidates. During the 1948 civil war, the Communists were encouraged by the government to perpetrate every sort of crime from false arrest, looting, and arson, to kidnapping and murder; they formulated a specific plan for the capture of San José in event of a government collapse, and overran the city toward the close of the civil war, in the interval between the collapse of the government army and the entry into San José of the victorious rebels. Communists were the most astute labor organizers in the country. Also, they operated a radio station, held congressional seats (eight in 1948), and placed many Communists at various levels and in some key positions of the government. In the spring of 1948, following the collapse of the Calderón Guardia regime, the party bargained unsuccessfully with the oppositionists in an effort to change sides in the political struggle.

The *Vanguardia Popular* polled 16,000 votes in 1942 and 12,000 out of 95,000 in 1948. Its strength lay in its compactness, efficiency, and discipline, and the intelligence and forcefulness of its leader, Manuel Mora. In 1948 its membership was about 6,000 and the number

of militants probably stood at 2,000. It is unlikely that the National Democratic Party (the former *Vanguardia*) will reach a strong political position in the foreseeable future.

e. Constitutional Party.

This party was formed in the fall of 1948 to oppose the progressive tendencies of the Figueres-dominated junta and to further the political ambitions of several prominent attorneys. Its platform has never been carefully enunciated and it has contented itself with emphasizing the need to curb the power of the executive and to eliminate the special courts established to try the leaders of the defeated Calderonista political machine. The party's slate of candidates in the 1948 and 1949 elections included some of the soundest and most respected men in Costa Rica and it polled 11,977 votes out of 75,831 in the 1949 congressional election. Some of these votes came from the Communists, who had been advised by their leaders as a political maneuver to vote for this party.

f. There are five minor political parties now existent in Costa Rica. Of them only the Civic Action Group, dominated by ultraconservative, ultraclerical and middle- and upper-class individuals, is felt to have any potential future political significance. Its platform is nebulous and non-committal in the extreme.

4. Other Influential Groups.

a. Costa Rican Labor Federation (CCT).

This Catholic anti-Communist labor federation, generally known as *Rerum Novarum*, was established by Father Benjamin Núñez in 1943, but, until the 1948 civil war, the effective force in the labor movement was the Communist-dominated Confederation of Workers of Costa Rica, and the CCT existed largely on paper. Since the civil war, however, the CTCR has, for all practical purposes, been outlawed, and the *Rerum Novarum* has thus emerged as the only labor organization of influence and importance in the country. It has tripled its active membership to about 20,000. Although it has some political influence, its efforts to organize unions and increase their effectiveness have been only moderately successful. Handicapped by a shortage of experienced labor organizers, by its failure to adopt a pro-

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gram of general interest to the workers, by differences in ideology among top leaders of the federation, and by its amateurish tactics in handling union grievances, the Rerum Novarum may never achieve the degree of prestige, influence, and power that was formerly enjoyed by the CTCR.

b. Confederation of Workers of Costa Rica (CTCR).

Although this Communist-dominated labor organization still has legal status, it is, for all practical purposes, completely disorganized. Its previous domination by Communists and close association with the discredited Calderón Guardia political machine brought about its disintegration after the 1948 civil war and the victory of the military junta, which openly favored the Rerum Novarum as the country's recognized labor organization. CTCR once had approximately 15,000 active members and was most strongly organized in the provinces of San José, Limón, and Puntarenas. Its largest and strongest unions were the United Fruit Company workers and the railroad workers. For some years, the CTCR and the *Vanguardia Popular* were the only groups in the country that were actively interested in the enactment of progressive social and labor legislation and in an improved level of living for the lower classes. And, for this reason, it is not unlikely that the CTCR or a successor of it may succeed at some future time in re-establishing itself as an important labor organization. The poor record of the Rerum Novarum and the international affiliations of the Costa Rican Communists are also factors favoring the re-establishment of a Communist-dominated labor federation. It is not certain that the country's conservative elements will succeed in depriving the CTCR of its legal status.

5. Current Issues.

Current issues revolve around the revision of governmental policies under the Ulate administration, which is supported by conservative groups who have opposed the social and economic reforms of José Figueres and his associates of the junta. The opposing points of view of the junta and of Ulate supporters reflect basic economic and social problems of the country. Class, racial, and nationality prejudice separate the whites of the Central Plateau

from the West Indian negroes and Nicaraguan peons of the lowlands. Also, population pressure in the highlands tends to increase class rivalry. New philosophies have sharpened political debate on the function of the state.

The junta wanted a constitution that would include advanced social and economic concepts designed to commit the state to a planned economy and to a more equitable distribution of the national wealth. Also, it favored a government that would be freed of traditional political methods and would be an efficient administrator of the country's affairs. The junta had very little support for this program. Some of its opponents have spoken of the junta as being an idealistic group of political amateurs whose impulses toward social and economic experimentation might ruin the country. Others, while sympathetic to its aims and aspirations, have distrusted the ambitions of its leaders. They have looked upon Otilio Ulate as the only practical solution for the country's problems and seemed to believe sincerely that he can restore the *status quo ante*—before the civil war, before foreign political entanglements, before the groping began for new norms of authority and administration. What is not said and is tacitly admitted only by a very few is that many of the middle and upper classes have suspected or instinctively feared that Figueres and his associates in the junta are as potentially dangerous to upper-class domination of the country as was the former political alignment of the Calderonistas and the *Vanguardia Popular*.

The Costa Rican lower class has, through the years, been accustomed to paternalistic government over which it exerts little influence. Until very recently it has not been conscious as a class of the need to improve its condition. The lower class is composed of native whites who live chiefly on the Meseta Central, West Indian negroes who have been imported to work on the Fruit Company plantations and the railroad in the Caribbean lowland, and illiterate Nicaraguan peons, mestizos, who work on banana plantations and the railroad in the Pacific Coast area. Costa Ricans of all classes who live on the Meseta Central consider themselves superior both to the Nicaraguan peons and to negroes of the lowlands.

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During the Calderón and Picado administrations (1940-48), class and racial prejudices which had previously prevented the various sectors of the lower class from cooperating were, for a time, forgotten and the lower class as a group tended to unite to support Rafael Calderón Guardia. Meanwhile, the Communist-dominated CTCR organized large labor groups and, principally because of the federation's labor strength, the Communist Party was able to press the Calderonistas into passing liberal social and labor legislation. For the first time the lower class of the Meseta Central voted the same ticket as the negroes and foreign peons of the lowlands who previously, for all practical purposes, had been denied the franchise. This apparently happened to some extent even in the 1948 election when the Calderonista-Communist combination received a majority in Congress even though Calderón was defeated for the presidency.

This lower-class alignment was a new political development for Costa Rica, and it quickly dissolved in the face of the stresses upon society brought about by the 1948 political troubles. When Calderón, defeated for the presidency in 1948, brought up from the tropic lowlands negroes and peons and gave them arms to assist him in staying in power, whites of all classes of the Meseta Central hastened to join the forces of the rebel leader, Figueres. When fighting actually started, the lower-class literate whites of the highlands refused to make common cause with their illiterate

brethren from the lowlands and the Calderón regime crumbled, despite the assistance it had from neighboring Nicaragua.

The results of this chain of events are still being felt. The CTCR and its subsidiaries have been thrown into disorder, the Communist Party is outlawed, and the treatment of Communists and the defeated Calderonistas by the courts has been harsher than has ever been meted out to defeated politicians in the history of the country. Racial and national prejudice will, it is believed, prevent for some time to come another political coalition between the lower-class whites of the highlands and the lowlands.

The Ulate administration should be relatively stable since many of the Communists and the potentially vocal oppositionists have either been disenfranchised, suppressed, or exiled. In fact, such real opposition as Ulate may be expected to encounter will probably stem from former junta members, many of whom have both an ideological drive and a desire for power. It seems likely that Figueres may find it difficult to resist the pleas of his former associates to join with them in either seeking power or forcing Ulate to accede to certain of their reform measures. In such an event, Communists and former Calderonistas will no doubt seek to reassert themselves as a political force by offering support to whichever of the two rival political factions they believe most promising from the standpoint of their own personal preferment.

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SECRET**CHAPTER II****ECONOMIC SITUATION****1. Genesis of the Present Economic System.**

The Costa Rican economy is based for the most part upon agriculture. This has been true ever since colonial times. Geographical conditions favor diversification of agricultural production, the soil is rich, and the land-development potential substantial. Lack of mineral resources and the absence of a large indigenous servile native population made the country unattractive for Spanish colonial development and exploitation by mercantilist methods applied to other parts of the empire. Agricultural production by a literate, white, land-owning peasantry became the chief economic activity. Toward the end of the nineteenth century coffee and banana culture was developed for the constantly increasing export market, and today a large percentage of agricultural effort is devoted to the production of these two crops; in 1948, coffee and bananas amounted to almost 40 percent of the total value of agricultural production. This concentration has made the economy dependent on conditions outside of Costa Rica, and especially on changes in price and demand in the US. Currently, world markets for the main export products are holding firm, so that the immediate outlook is bright.

A distinguishing feature of the agricultural economy is the United Fruit Company (see also Chapter III, *Foreign Policy*, pp. 17-19). This giant US corporation, with its vast complex of locally owned or controlled activities that include ships, docks, railways, hospitals, plantations, experimental farms, and rain-making airplanes, produces almost 50 percent of the country's total exports—primarily bananas, but also cacao and abacá—and thus gives employment to thousands in the tropic lowlands.

Other activities are carried on for the most part by independent producers on rather widely distributed landholdings mostly in the

central mountainous region, where three-fourths of the population live on less than one-fifth of the total land area. This latter area, which has an invigorating climate and some of the richest land in the world, is so attractive to Costa Ricans that they have been reluctant to move to remote and less pleasant parts of the country where West Indian Negro laborers and Nicaraguan peons form a substantial part of the agricultural working force.

The pattern of land ownership in the central highlands has been changing. The number of large landowners and landless peasants has been increasing because (1) many coffee producers—especially the smaller ones—operate on so close a margin that they lose their properties in bad crop years; (2) large and wealthy farmers can afford large capital outlays for land, equipment, etc.; and (3) there is little good land left in the fertile central plateau which offers economic opportunity and is available to the younger sons of small farmers. The increasing concentration of wealth in the hands of fewer landowners at the expense of many peasants and the rapid increase in population (Costa Rica has one of the world's highest birth rates) have combined to lower the standard of living of the masses. Landholdings, however, still remain more widely distributed in Costa Rica than in other Central American countries, and the standard of living is higher.

2. The Present Economic Situation.

Costa Rica was prosperous during the war, its exports were at an all-time high in 1948, the current demand for exports is good, and coffee and bananas are bringing relatively high prices on the world market. But despite favorable international conditions, the country is confronted by economic problems in the form of inflation, large internal debts, and a dollar and revenue shortage. These problems

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result largely from governmental inefficiency, from the political manipulation of domestic economic problems, and from the fact that the government is trying to operate and the upper classes to live at a level which is beyond that which the country can afford at the present time. The Calderón Guardia and Picado political administrations greatly increased the internal debt in order to pay governmental expenses. The junta tried to increase governmental revenues by decreeing a 10 percent capital levy and by increasing excise and import taxes; signed a new contract with the United Fruit Company that will bring in an increased revenue over the old contract; and decreed nationalization of the private banks, monetary reforms, and revisions in exchange and import controls. The junta's efforts to improve economic conditions were not notably successful. Tax returns have been disappointing, the 1948 and 1949 expenditures have been greater than previous governmental budgets, and the 1948 national deficit attained an unprecedented high.

a. Agriculture and Stock Raising.

About 15-20 percent of the total land area of Costa Rica is at present used as crop and cattle land; the remainder is in forests. The total land area cleared for crops and cattle could conceivably be increased to 35-40 percent of the total, and wide diversification of agriculture is possible in Costa Rica. By further developing and expanding indigenous food production the nutritional adequacy of the diet could be materially increased. The emphasis upon the production of export items, however, tends to create a food deficiency for the local market. Imports of food, tobacco, and beverages amounted to 15 percent of the 1947 total, and increased production for domestic use is becoming increasingly necessary because of the rapid natural increase of the population. Agriculturalization of the lowlands and of Guanacaste Province is progressing and could become sufficiently extensive to solve the country's food supply problem if transportation facilities between remote areas and the centers of population were improved and if agricultural labor were more willing to move to the frontier areas rather than remain

on the central plateau—both doubtful possibilities under existing conditions.

During an emergency Costa Rica could become self-sufficient in most basic foods.

(1) *Coffee.*

Coffee is one of the two leading export crops in dollar value. Costa Rican coffee is a high-quality product which will remain in demand even during a world depression. Coffee plantations cover 32 percent of all cultivated land, and about one-fourth of the total population lives on coffee farms. Most of the coffee is grown on the central plateau and is processed for export by modern methods in some 200 processing plants usually located on the large farms or in neighboring towns and cities. Experiments indicate that high-grade coffee probably can be grown with greater yields at lower elevations such as Guanacaste and the Talamanca Range. The 1948-49 crop totaled 302,107 bags of 60 kilos each (18,126 metric tons), a small crop, and current estimates place the 1949-50 crop at 475,000 bags. Costa Rica exported 23,906 tons of coffee in the calendar year 1948, which brought high premium prices on the US market. Although this is but a small percentage of total world coffee exports—the country was fifteenth on the list of world coffee exporters in 1948-1949—it is a vital export item for Costa Rica and represented over one-third of total exports in value in 1948.

(2) *Bananas.*

Banana exports were about equal in value to those of coffee in 1948 (see subsection *f*. International Trade, pp. 13-14) even though only about 9 percent of the total crop area of the country is planted in bananas. Costa Rica ranks third among the banana producing countries of the world and exported 9.6 million stems in 1948, 89 percent of which were grown by the United Fruit Company or by independent producers who sold their product to the Fruit Company. Thirteen percent of the total volume of US imports of bananas in 1948 came from Costa Rica. Production in Costa Rica is now centered in the Puntarenas and San José area of the Pacific Coast and will most likely be moved to the Coto region if soil exhaustion and the Panama disease force the abandonment of the present plantations. If

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world market conditions permit, some of the abandoned area will probably be planted in cacao, abacá, or African oil palms.

The United Fruit Company has dominated commercial banana production in Costa Rica since 1900 and those who have sought to compete with it have, for the most part, failed. The company's control over banana production has been more complete in Costa Rica than in other Central American countries, chiefly because of its control over wharves and railroads and because the government and the country are so small as to be particularly susceptible to concentrated economic power. The company has operated under concessions from the government, some of which have been bitterly opposed by many Costa Ricans who claim that the management is exploitative and arrogant and would operate without government consent if it could and if it were convenient to do so. Even its enemies admit, however, that it has contributed greatly to Costa Rica financially, has developed harbor, transport, health, and educational facilities in its area of operations, and was the first agency to develop the tropic lowlands on a systematic basis—areas that had previously been considered useless for economic development. The most recent operational contract between the Costa Rican Government and the company was signed on 27 December 1948 to terminate in 1988. Under this contract the company obligates itself to pay greatly increased taxes to the government and to expand the production of bananas, cacao, and African oil palm. In exchange the government grants the company liberal foreign exchange concessions.

Commercial banana production by independents is conducted largely in the Atlantic coastal area on lands abandoned by the Fruit Company. In 1948, 1.1 million stems were exported through several exporters. Yields per acre on independent plantations are, for the most part, smaller than on those of the Fruit Company.

(3) *Cacao.*

Cacao is the third commercial crop. Production totalled 4,432 metric tons in 1948, a good crop year. Most of the crop—a flavor variety—is grown by a United Fruit Company

subsidiary on 39,000 acres of abandoned banana land in Limón Province on the Atlantic lowlands, 10.5 percent of the total crop land of the country. Cacao planting has also been started by the Fruit Company in its Quepos Division on the Pacific coastal lowlands on reconverted banana land, and plantings in this area may be expanded to 15,000 acres by 1953. Costa Ricans estimate that over 100,000 acres of land in the Atlantic lowland are suitable to cacao production. The Fruit Company plans to expand acreages on the assumption that the present world shortage of cacao will continue and that world market prices will eventually stabilize at a fairly high level compared to those existing prior to World War II.

(4) *Abacá.*

Large-scale cultivation of abacá was undertaken during the war in order to replace the lost Philippine supply. Production is carried on by the United Fruit Company under contract with the Reconstruction Finance Corporation, which buys all of the product and repays the company for production deficits. Plantations on 10,000 acres of former banana lands yielded 13.8 million pounds of spinnable fiber and 113,750 pounds of tow fiber—used for paper manufacture—in 1948. Production costs are high but are being reduced through increased yields. The future feasibility of abacá production on as large a scale as at present appears to depend on (1) US government subsidies; (2) the successful control of the "tip-over" disease that is now seriously damaging Panamanian abacá plants and is spreading to Costa Rica; and (3) relative costs of production in Costa Rica as compared with the Philippines. Prewar Philippine costs were lower, but this situation may change. The Costa Rican yield per acre is said to be potentially greater, aside from the threat of "tip-over," and it is believed that methods of control of this disease can be found.

(5) *Other Crops.*

The basic foods produced for domestic consumption are beans, corn, rice, and potatoes. Until recently, production fluctuated greatly from year to year, and imports were often necessary. The 1948 crop, however, exceeded consumption requirements under present dietary levels. The four basic food crops together oc-

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cupy 40 percent of the total crop area of the country and represent about 13 percent of the value of agricultural production. Much of the corn and a substantial proportion of the beans and rice are grown on small farms in the central plateau where production techniques are primitive and yields are low. The lowlands produce larger crops at lower costs. Corn has proved to be a good cash crop in the Atlantic lowlands and production is increasing in that area. Wheat is grown only for poultry feed, oats for forage, and barley for beer.

The growing and local utilization of sugar is an important industry in Costa Rica. The cost of production is higher than in major producing areas but the industry is protected by tariff, and is helped considerably by the government's distillery operations. In 1948 production was 39,364 metric tons, an excess over domestic needs.

Vegetable oil seeds and oil-bearing palms are produced in Costa Rica, but not in sufficient quantity to meet domestic requirements. The palm industry, however, is being further developed and expanded.

Good quality vegetables and tropical fruits of many varieties abound. Limited amounts, especially of oranges, are customarily exported. During World War II supplies were purchased for use by the US army in the Panama Canal Zone. It is believed that Costa Rica is in an excellent position to become an exporter of fruits and vegetables, especially tomatoes and pineapples, to the US, if appropriate transport and quick-freezing or canning methods were developed.

(6) *Livestock.*

The dairy and livestock industry is fairly modern and the country is largely self-sufficient in livestock and livestock products. Dairying methods on the larger farms compare favorably both in terms of quality of breeding stock and management to those of the US and Europe, but costs are higher. The dairy industry is located chiefly on the central plateau and surrounding highlands and the chief beef cattle area is in Guanacaste and Puntarenas with a secondary area on the Atlantic coastal lowlands. In the beef cattle areas tropical conditions have been a deterrent to development.

b. Fishing.

Fishing is a minor industry in Costa Rica. Practically all of the fishing off the Costa Rican coast is done in US-owned boats. Tuna is the chief type of fish available, and minor fishery products are shark livers and turtles. Exports of fresh and canned tuna were valued at \$818,000 (2.6 percent of total exports) and amounted to 2,965 metric tons, not including fish caught at sea and sent directly to the US. There is a US-owned tuna processing plant at Puntarenas.

c. Forest Products.

Costa Rica's forests cover about 80-85 percent of the total area of the country. Over one thousand species of wood are present, including such strategic materials as balsa, mahogany, ceiba (kapok), cinchona, ipecuanha root (ipecac), and wild rubber. Little is known about the available quantity or about the properties and potential value of many of the various species. The forests are in good condition and have been little exploited except for mahogany, the accessible stands of which have been cut. Handicaps to the development of lumbering are the extreme inaccessibility of many of the forests, the difficulty in logging in the mountain regions, and the scarcity of foresters. More than 31 species of wood are at present exported, although forest products are a minor export item in dollar value. In 1948, \$562,000 worth of lumber was exported.

Wild rubber trees of the Castilla variety are found in small stands throughout Costa Rica, especially on the Caribbean side of the country near Nicaragua. Production of rubber for export increased during the war, and dropped thereafter; in the peak year of 1943, 381 long tons of wild rubber were exported, compared with only two tons in 1948. There are some limited possibilities for future development. The Goodyear Rubber Company has a rubber plantation on the Atlantic Coast, about 1,600 acres of which are just now coming into production, and exports of plantation rubber may soon be instituted. The US Department of Agriculture operates a rubber experimental station at Turrialba which does important experimental work on plantation rubber. Esti-

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mates indicate that about 1.2 million acres of land in Costa Rica are suited to the production of plantation rubber, and under optimum conditions high-yield varieties of trees might at maturity yield at least 1,000 pounds of rubber to the acre as compared with about 400 pounds per acre from unselected trees in the Far East. But such development of Costa Rica's rubber production as has occurred was primarily a wartime expedient, and, on a comparative cost basis, the country's potential as a source of crude rubber is extremely limited.

Work toward the cultivation of cinchona for commercial purposes was initiated during World War II, and 1942 to 1948 cultivation on a plantation at Isla Bonita was financed by the RFC under a contract with the Costa Rican Government. This contract was terminated in 1948, and the cinchona plantation, which is not yet in production, is now being operated by the Costa Rican Government on a reduced scale. The potential for cinchona production in Costa Rica is undetermined because no method of control has been found for a soil-born root disease that destroys the trees. The Costa Rican Government is interested in obtaining technical aid from the US and the Inter-American Institute of Agricultural Sciences at Turrialba (Costa Rica) in experimental work on the control of this disease, which is indigenous to Costa Rica. Both climate and soils at Isla Bonita seem ideal for cinchona production except for this disease.

Ipecac root (from which emetine is derived) is available in considerable quantities in Costa Rica and is at present gathered (for export) on the Atlantic slope of the country. In 1948 Costa Rica exported eight metric tons and supplied the United States with about 3.8 percent of its imports of ipecac.

d. Minerals, Petroleum, and Hydroelectric Power.

Costa Rica's mineral resources are virtually undeveloped, and there are few deposits believed to be of commercial grade and quantity. At present there are small amounts of salt, diatomite, limestone, gold, and silver mined. Manganese, sulphur, and marble could also be extracted, but probably not on a profitable basis.

There is no production of petroleum in Costa Rica at the present time. The Honolulu Oil Company, a US corporation, has proposed a contract with the Costa Rican Government to explore the country's petroleum resources but thus far there has been no serious exploration.

The potential hydroelectric resources are enormous but, for the most part, undeveloped, owing to lack of capital, technical skill, and lack of a consumer demand that would be great enough to warrant the large initial capital outlays.

e. Manufacturing.

Industrial development has proceeded slowly in Costa Rica, and up to the present has been limited to the processing of coffee, cacao, lumber, and abacá for export, to the processing of other agricultural and animal products for local consumption, and to the manufacture of light consumer goods. Manufacturing industries play a minor role in the national economy, and possibilities for future development are limited by the scarcity of domestic raw material and the limited domestic market. The government, by means of protective tariffs and other devices, has encouraged small-scale capital investment for the manufacture of such products as alcohol, soft drinks, cigarettes, leather goods, shoes, textiles, soap, matches, flour, and oil, and these are the industries that comprise the bulk of the country's industrial effort. Almost all manufacturing takes place on the central plateau in or within a few miles of San José.

f. International Trade.

Costa Rica had an unfavorable balance of trade in 1948, as in other years. Export-import statistics, however, do not accurately reflect the foreign trade situation because of an underestimation of the value of banana exports, resulting from arbitrary evaluation. Since the United Fruit Company has a monopoly on banana exports, there cannot be a normal market price for export valuation purposes; instead, an export price must be agreed upon by the company and the Costa Rican Government. The price in 1948 was set at \$0.80 per count bunch (the usual figure), although the average 1948 wholesale price of

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bananas in the United States was equivalent to \$5.19 per count bunch. Part of the dollar income from the spread between these prices is returned to Costa Rica by the company for ordinary business operations. Hence the dollar value of banana exports from the country is higher than the official export figures indicate.

Coffee and bananas are always the two leading export commodities of Costa Rica, each often accounting for one-third of the value of all exports, and cacao is third. Other exports are abacá, tuna, logs and lumber, gold, ipecac root, and sometimes sugar, beans, hides, and skins.

The United States is at present Costa Rica's chief market and chief source of supply. In 1948 Costa Rican products valued at slightly more than US \$25 million (about 80 percent of total exports) were purchased by the US. In 1948 the US bought 81.9 percent of the total coffee exports, 92.6 percent of the bananas, 34.4 percent of the cacao, and 98.9 percent of the abacá. Imports from the US amounted to nearly \$33 million in 1948, or about 77 percent of the total imports. The principal types of imports are food products, beverages and tobacco, chemicals and related products, textiles, metals and their manufactures, machinery, implements, and vehicles.

Before World War II, Britain and Germany purchased about two-thirds of Costa Rica's total coffee exports and shipped the country 25-30 percent of its imports. It is not expected that either the British or the Germans will regain their prewar position in the country's foreign trade.

g. International Finance.

The balance-of-payments statistics on both current and capital account are not reliable guides to the foreign exchange situation. In 1948 the virtual cessation of imports as a result of the revolution effected a reduction in the volume of imports and a decline in the adverse balance of trade for previous years. The decline in imports and increased dollar income during 1948, resulting from favorable crops and high market prices for exports, brought about at least a temporary improvement in the dollar exchange situation. Present-day high

coffee prices may slightly improve the dollar exchange position.

The United Fruit Company is the largest single foreign investor and spends large sums of money in Costa Rica annually. Its 1947 total expenditures in Costa Rica amounted to fourteen million dollars (US). Other US-owned companies include the two principal electric power companies, several telecommunication and aviation companies, and companies in several minor industries. British investors own one of the two railroads of the country and hold government bonds.

h. Money and Banking.

The monetary unit is the colon. Its official rate, as set by the Issue Council of the National Bank in December 1946, is 5.60 to the dollar (buying rate). There is also a legal uncontrolled exchange market, the average rate of which was 7.90 (for buying) in June 1948. The money supply increased from 51 million colones in 1937 to 223 million colones in May 1949. Most of this increase originated from government deficit financing.

Private banks were nationalized as of 21 June 1948, and a national banking system is in the process of being established. This banking system at present consists of four banks and three semi-autonomous government agencies—the Office of Public Debt Amortization, the National Insurance Institute, and the Social Security System. The government, by nationalizing the banks, seeks to implement its financial and credit policies in the interest of effective economic development. Considerable independence of administration will be left to members of the banking system.

i. Government Finance.

The junta operated on a different fiscal and tax basis from previous administrations and comparable statistics do not exist for 1948 and other years. Government methods of imposing and collecting taxes are inefficient in Costa Rica, revenues are inadequate, and the government has operated at a substantial financial deficit in recent years. Plans of the junta to alleviate this situation were not successful. The national revenue for 1948 was 90.1 million colones (\$16.1

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million) but expenditures, 114.8 million colones or US \$20.5 million, were the highest in Costa Rican history and the financial deficit for 1948 greatly exceeded that for previous years. In order to finance this deficit, treasury drafts, direct bank loans, and bond issues were increased substantially, and the government had difficulty in discharging its obligations. As of 31 December 1948 the total domestic government debt was 156.3 million colones (\$27.9 million). The only new foreign borrowing in 1948 was an advance of \$1,250,000 from the International Monetary Fund against colones. Total government debt was 325.4 million colones (\$58 million) at the end of 1948, of which 169.1 million colones was foreign debt. This debt was more than three times the total government revenue for 1948 and is high by Latin American standards.

The main sources of government income are customs revenues, the National Liquor Factory, income taxes, the capital tax levy, and the cigarette excise tax. Revenues will increase in the future because the United Fruit Company will almost double its tax payments under a new contract that has been ratified by the Costa Rican Congress. It is estimated that the 1949 taxes received from the Fruit Company may amount to 15-20 million colones (US\$2.7-3.6 million), or 8-10 mil-

lion colones (US \$1.4-1.8 million) more than was received under previous contracts. The four leading types of government expenditure, in order of importance, are education, finance, public security, and internal debt.

3. Economic Stability.

During 1949 the dollar shortage may have been accentuated because of a decrease in cacao prices on the world market and because of the small 1948-49 coffee crop. The substantial increase in coffee prices on the international market offsets this to some extent. The domestic high-price situation will probably continue. The cost of living index for June 1949 was 245.17 as compared to 227.01 in June 1948 and a 1946 yearly average of 195.68. There may be a small decline in economic activity but crop prospects for 1949-50 are good and any decline that may occur is not likely to become a major threat to the political stability of the country during the next year. The country has a sound basis for a good economy but its economic position has deteriorated in recent years, despite the demand for and high prices received for its high-grade coffee and cacao in the United States and despite the Fruit Company investments of large sums of money in the country.

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SECRET**CHAPTER III****FOREIGN POLICY**

Costa Rica's policy in relation to foreign countries and entities is essentially based on four major considerations: (1) friendship and amity with the US; (2) membership in the Council of Organization of American States; (3) the promotion of a satisfactory working relationship of its citizens with the United Fruit Company; and (4) a conflict between a desire to pursue an isolationist attitude toward the republics of Middle America and the Caribbean and to participate actively in regional intergovernmental relationships.

1. Relations with the US and in OAS.

Close ties of amity and friendship with the US and general adherence to the Charter of Organization of American States are the most basic of these four considerations. These policies are accepted without question by most of the Costa Rican people, and are unlikely to be changed by any government that assumes control of the nation's destinies in the foreseeable future. There is a surprising absence of public discussion of the matter despite its obvious fundamental importance. A reason for this apparent indifference stems from the fact that US-Costa Rican relations are not, like those of near-by Panama and Cuba, subject to special treaties that lend themselves to public discussion of the degree of national subordination implicit in the terms of the agreements. In addition, the higher standard of living and of education and the political habits of the Costa Ricans tend to prevent the formation of the type of inferiority complex that is found in some other Latin American countries. Only the small, suppressed, and uninfluential Communist minority questions the wisdom of such ties.

2. The United Fruit Company.*

Of lesser significance than Costa Rica's relations with the US Government and membership in the COAS, but of greater concern to many Costa Rican people, is the relationship of the country to the United Fruit Company. Although no Costa Rican politicians would be likely to admit this baldly (so that discussion of the relationship proceeds largely by indirection), the United Fruit Company is a continuous and very weighty factor in Costa Rican politics. From some standpoints, this huge US corporation is rather larger than the Costa Rican Government itself. Its annual operating profit in Costa Rica equals or exceeds Costa Rica's annual budget; the ships it controls exceed in tonnage the total Costa Rican merchant marine; and the salaries it pays its executives exceed the annual incomes of practically all individual Costa Ricans. Although few Costa Ricans would admit openly and publicly what has been claimed by many neutral observers, that the Fruit Company is, in effect, a "sixth political power among the five Central American Republics," the fact is that Costa Ricans do tend to regard the company as a distinctive type of corporate structure with certain attributes of sovereignty. Costa Ricans believe that there have been occasions when, in matters of policy, the US Department of State has for one reason or another been guided by decisions suggested to it by the company's officials rather than by the US Am-

* The Intelligence Organization of the Department of State dissents from CIA "in its treatment of the United Fruit Company under the heading of Foreign Policy. Although it agrees that relations between the Costa Rican government and the United Fruit Company constitute an important factor affecting Costa Rica's policy toward the United States, it believes that the role that the United Fruit Company plays in the economic and political life of Costa Rica is essentially an internal matter."

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bassador in San José. There is thus a tendency in matters of foreign affairs for Costa Ricans to analyze separately their effect on (1) Costa Rica's relations with the US Government, and (2) Costa Rica's relations with the United Fruit Company. Costa Rica is more likely to consider the possibility of pursuing an independent course in matters of conflict in which only the US Government interests are involved than in those in which both US Government and United Fruit Company interests are involved. Seldom, if ever, however, does the situation crystallize into open and frank discussion. More often it is confused and lumped willy-nilly into a discussion of national sovereignty, international transportation costs, labor unions, social reform measures, etc. But, even if it is not discussed, the peculiar relationship between Costa Rica and United Fruit is a reality and a force to be reckoned with in many matters of policy.

3. Relations in the Caribbean.

Many of the major considerations affecting Costa Rica's foreign policy vis-à-vis Middle America and the Caribbean arise out of the conflict between the country's isolationist pacific desires and what is regarded by many as the necessity to participate actively in area political alignments that cut across national boundaries. This has been true ever since colonial times and is especially true today. Conflicting points of view are often adopted by rival political parties. Sometimes the issues are not stated candidly in terms of isolation versus interventionism but are discussed obliquely in terms of other generalities—such as isolationism versus Central American Union, and non-recognition versus *de facto* recognition.

The truth is that the country has never really been isolated from its neighbors. Subsequent to the collapse of the Spanish American colonial empire, Costa Rica participated in the Central American federation of the nineteenth century, in the 1902 Convention of Peace and Obligatory Arbitration between Nicaragua, Honduras, El Salvador, and Costa Rica, and in the 1907, 1909, and 1914 Central American conferences that sought to

form a Central American Court of Justice and to promote customs unions and other forms of economic cooperation.

In Costa Rica, as in most of the other American republics, exiles and revolutionaries have always been given asylum and have been able to plot against their real or imagined oppressors with relative impunity. This right of asylum is deeply wrought into the fabric of the state and is, in practice and despite the reluctance of many Costa Ricans to admit it, incompatible with the concept of isolationism. As such it represents a powerful weapon in the hands of those who prefer to see the country pursue a policy of intervention and usually leads to their triumph over the isolationists.

During the past two years, there has been a move away from the country's isolationist position. In 1947 the Calderón-dominated Picado administration enjoyed close relations with the Somoza regime of Nicaragua. Although opposition elements deplored this violation of what they claimed was the country's isolationist traditions, they did not hesitate to enter into clandestine contact with officials of the government of Guatemala and anti-Somoza elements in the Caribbean area. The latter elements were organized into the Caribbean Legion. Eventually, the oppositionist leader, José Figueres, obtained the assistance from Guatemala and the Caribbean Legion that permitted him to oust the Calderón Guardia machine. The Calderón Guardia machine in turn sought and received the assistance of Somoza. As a result of the Figueres victory, the foreign alignments that helped him to power were consolidated and employed as an instrument of national policy. Thus, Costa Rica, which formerly had been pro-Somoza, became anti-Somoza and pro-Guatemala and the Caribbean Legion.

These moves and countermoves in Costa Rica's foreign relations have been made possible because there has existed in the Middle American area a sort of balance-of-power situation during the past few years. Otilio Ulate has been opposed to Figueres' interventionism and prefers to see the country remain aloof from Middle American politics and especially from Caribbean Legion adventures. In such an attitude, he has the support of the major-

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ity of Costa Ricans, but he may have difficulty in pursuing such a policy, because the traditions of political asylum, the influence of partisans of interventionism, and the balance-of-power situation all tend to prevent a return to a policy of isolationism.

4. Probable Future Policies.

Costa Rica's policy toward the US will remain friendly regardless of internal political changes and variations in its relations with the other Middle American republics. Although a continuation of area rivalries could conceivably impair the US security concept of solidarity of all 21 American Republics, it is believed that rivalries between Costa Rica and

its neighbors will, for the most part, be subordinated to cooperation with the US in the event of an East-West war. And, in such an event, Costa Rica can be expected to fulfill its obligations under the Rio pact. Costa Rican traditions are democratic and its sympathies are most certainly on the side of the US. Furthermore, Costa Rica recognizes and willingly accepts the US as the dominant Caribbean power.

Costa Rica participates in the United Nations and in other international organizations and will in all probability continue to do so. In all matters before the UN affecting US security interests it can be expected to side with the US if the latter indicates in an appropriate manner that such action is desirable.

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SECRET**CHAPTER IV****MILITARY SITUATION**

Costa Rica is incapable of offering effective military resistance to any but the smallest and most ineffectual of invading forces. Immediate and substantial assistance would be required to resist an invading enemy of size and skill. Technically speaking there is no Costa Rican army. A civil guard performs internal security and police functions. This body is entirely dependent upon foreign sources for equipment.

The present size of the Civil Guard is about 1,000; there are also 100 traffic police, 60 detectives, and 450 treasury or customs guards. The Civil Guard maintains three sections of 200 men each in San José and a section of 50 to 80 men in each of the six provinces. Weapons and equipment are not standardized. Because of the many shipments of arms into and out of the country in recent months, no definite estimates of the amount of arms and ammunition in the possession of the Civil Guard are possible. It is believed, however, that the Civil Guard has at least 30 cannon and 6 mortars and approximately 160 machine guns, 4,000 rifles, and 1,600 revolvers.

Costa Rica has no navy.

Costa Rica has no air force. Plans to organize an air force failed to materialize, although four aircraft were actually purchased. The government has disposed of two of the aircraft and currently retains one Lockheed F-38 and one North American T-6. These aircraft are maintained by TACA (civil airline). Several Costa Rican citizens who are private pilots are allowed to fly these aircraft. In event of

civil disturbances or revolutionary incursions from without, the government—or the opposition—is expected to gain possession of all domestic commercial aircraft in the country at the time of the outbreak of hostilities and to use them, as well as all the civil air facilities of the country, for the duration. For the most part these would consist of DC-3's.

There are about 138,000 men of military age—16 to 39—about 100,000 of whom could be considered physically fit for military duty. It is presumed that up to 15,000 of these men could be called up by the Republic in case of war or an emergency but it is improbable that many of them would be useful from a military point of view.

The only contribution of which the Costa Rican Civil Guard is capable in the event of a struggle in which Costa Rica found itself allied with the US against the USSR—and no other alignment in the event of an East-West war is anticipated at this time—would be the policing of the country. As an instrument to prevent sabotage of airfields and to guard the country's railway system—the only transcontinental railroad between Panama and Guatemala—it would be of definite utility even though it is not sufficiently organized or efficient to frustrate a well-planned sabotage attempt by experts trained in clandestine demolition. It would, it is believed, be capable of suppressing pro-Russian work-stoppages and demonstrations provided the purpose of such demonstrations was sufficiently clear to be readily distinguishable from matters of domestic politics.

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CHAPTER V

WARTIME SABOTAGE IN COSTA RICA

The USSR, whether alone or assisted by satellite or conquered nations, is the only present potential threat to the US. It is also the chief threat to Costa Rica. Existing inter-American machinery for the pacific settlement of international disputes should afford the country, as distinguished from a particular government that may be in power, adequate protection from incursions from Nicaragua. Traditional ties to the US in addition to the Rio pact make it almost certain that Costa Rica will join with the US in any war in which the latter may become involved with the USSR. In such an event, Soviet activities in Costa Rica will, it is expected, take the form of sabotage.

Within the confines of Costa Rica, it is estimated that the Soviet sabotage operations will be divided into two distinct fields: (1) sabotage activities arising out of influence over labor which will, by seeking to promote strikes, slow-downs, and sit-downs, endeavor to create a general nuisance in order to impair directly transportation, public utilities, and political stability, for the purpose of interrupting the flow of strategic and critical materials such as abacá and hard woods to the US; and (2) sabotage activities against such US naval, military, and air establishments as this country may construct in the republic in wartime (examples are radar listening posts that would be designed to be part of the Panama Canal's screen of defense).

It cannot be doubted that there are Communists in Costa Rica who would, in the event of an East-West war, endeavor to engage in sabotage. However, the formerly influential

and powerful Communist apparatus in Costa Rica known as the *Vanguardia Popular* (now renamed the National Democratic Party) has been declared illegal. This has cost it many members, virtually all of its physical assets, and has greatly diminished the sabotage capabilities, especially on an integrated basis, of the Communists in Costa Rica. Furthermore, such strategic and critical materials as Costa Rica produces do not lend themselves to sabotage during the production process. Only during transport from the producing area to the sea are they susceptible and then only to a limited extent. For these reasons it is believed that, although sabotage activities would be attempted by local Communists in the event of a war between the USSR and the US in which Costa Rica would be allied with the US, and although this would probably create a nuisance, sabotage would not achieve a substantial interruption of the flow of strategic and critical materials to the US for an appreciable length of time. It is also doubtful that sabotage activities against the US military installations on Costa Rican territory would result in substantial damage. The Costa Rican armed forces and the US troops that would most likely be assigned to these installations should be able to give sufficient protection against sabotage.

It is not believed that either US installations in Costa Rica or the areas of production and transport of locally produced strategic and critical materials would offer the USSR a sufficiently remunerative target to warrant the dispatch to the area of Soviet agents specially trained in clandestine demolition operations.

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SECRET**CHAPTER VI****STRATEGIC CONSIDERATIONS AFFECTING US SECURITY**

Costa Rica's positive strategic value to the US is measurable in terms of its capacity to produce abacá, ipecac root, and certain woods such as balsa and mahogany. In 1948, 6,275 metric tons of abacá were exported and eight metric tons of ipecac root. These amounts were equivalent to approximately 10 percent of US consumption requirements for abacá and 3.8 percent of US imports of ipecac root. The production of strategic materials could be considerably increased if desired.

The presence on its territory of a transcontinental railway that could conceivably be of some use in the event of wartime damage to the Panama Canal is another strategic consideration, as is the willingness of the country to permit the US to establish wartime naval and air bases on its territory for the protection of the Panama Canal and Caribbean shipping. Beyond this, the country offers no positive strategic advantages to the US.

In a negative sense, however, Costa Rica's proximity to the Panama Canal, the Venezuelan oil fields, and the sea routes over which the majority of US strategic and critical import tonnage passes, makes it imperative that an enemy of the US be denied the use of Costa Rican waters and territory for either clandestine

or open operations against the US. In general, Costa Rica's constitutional system of government, its Western cultural orientation, and its well-defined political and economic ties to the US render very unlikely any developments that would make such an eventuality possible.

Specifically, however, there are elements in the political life and governmental structure of Costa Rica that could conceivably impair the ability of the country to meet this strategic requirement. Costa Rica can be expected to ally itself with the US in the event of a US-USSR war and to fulfill its obligations under the Rio pact. Its armed forces are not, however, sufficiently alert or organized to be able to deny an enemy of the US portions of its territory for operations against the US. Thus patrol of Costa Rica's coastline by the US would be necessary to prevent, for example, its use as a refuge and base for enemy submersible craft. Also, US installations on its territory such as airfields and radar posts could not depend entirely on Costa Rican armed forces for protection from Soviet-inspired or directed sabotage by members of Communist cells known to exist in the country. (For additional information on Communism and sabotage, see Chapters V and VII.)

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SECRET**CHAPTER VII****PROBABLE FUTURE DEVELOPMENTS AFFECTING US SECURITY**

Costa Rica is friendly to the US and is likely to remain so regardless of internal political changes. Such governments as come to power within the foreseeable future are to be expected to associate with them the majority of the electorate in recognition of the US as the dominant country of the Caribbean.

As noted in Chapter III, *Foreign Policy*, Costa Rica can be expected to side with the US in the event of war between the USSR and the West and to fulfill its obligations for Hemisphere defense under the Rio pact. In all matters before the UN—an affiliation which the country can be expected to maintain—affecting vital US security interests, Costa Rica will side with the US if the latter indicates in an appropriate manner that such a course is desirable. Association with the US under similar circumstances is to be expected at other types of international conferences. The economy of Costa Rica is so closely linked to that of the US as to guarantee that Costa Rica will, in the future as in the past, formulate its economic policies with an eye to US reactions.

No significant changes in economic or manpower potentials are likely to occur.

It is not expected that the presently outlawed Communist *Vanguardia Popular* will, within the foreseeable future, substantially increase the number of its adherents or the influence it exercises over the domestic affairs of the republic. Communist Party members will, however, continue their efforts to preserve the party apparatus, to propagandize clandestinely or openly as the circumstances may warrant on behalf of themes fashionable in Moscow, and to strive toward dominant influence over organized and unorganized labor unless and until they are instructed otherwise by Moscow.

Although unsettled relations with other Central American republics, especially Nicaragua, may make more difficult the peacetime implementation of the US concept of national security based on Hemisphere solidarity, it is believed that such rivalries as presently exist would, for the most part, be subordinated in the event of a US-USSR war.

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SECRET**APPENDIX A****TRANSPORT AND COMMUNICATIONS FACILITIES****1. Railways.**

Two 3'6" gauge single-track railway systems totalling about 500 miles connect San José with Limón, the Atlantic port, and San José with Punta Arenas, the Pacific port. Together these two railways form a transcontinental system—the only one between Panama and Guatemala. These railroads are vital to the country's welfare since they are the only lines of communication between the populous upland plateau and the ports capable of handling the country's bulk imports and exports. Services offered by the railways are, in general, adequate for the country's needs, although there has been a marked deterioration in the equipment of the government-owned electrified Pacific Railway since World War II. Railway dock facilities at Limón, partially destroyed by enemy action during World War II, have not been repaired. The United Fruit Company maintains several hundred miles of 3' gauge railway largely in the southeast part of the country near Puerto Armuelles, Panama. The Company extends its rail network from year to year as new banana lands are developed.

2. Highways.

There are about 1,000 miles of highways, 921 miles of which are hard-surfaced, all-weather roads. About 350 miles of the hard-surfaced highways are, by Central American standards, in an excellent state of repair. The road network, for the most part, lies in the central plateau. It is impossible to drive from San José, the capital, to the Atlantic port of Limón. The country's most important highway, usually referred to as the Pan American Highway, which was planned to traverse Costa Rica from the Nicaraguan border on the northwest to the Panamanian border on the south, has received only maintenance work during the past two years. The highway is open

throughout the year from San Isidro del General on the south to a point just north of the Lagarte River on the northwest—a distance of some 175 miles. Failure to extend the highway north into Guanacaste Province has retarded the development of this potentially productive pastoral area.

3. Telecommunications.

All methods of telecommunication are available and the various types of facilities are well integrated. International facilities are believed adequate and services are efficient and reliable. The principal cities have good local telephone and telegraph services and are linked by telecommunication facilities, but there are only limited services to outlying districts. Many parts of the country that are remote from the Central Plateau have practically no means of communication with one another or with San José. In providing new long-distance services emphasis is now being placed on radio telephone and radio telegraph, which are at present the most rapid and reliable means of communication. Telecommunications are a government monopoly but the major telecommunication facilities are operated by private companies such as the Compañía Nacional Fuerza y Luz, a subsidiary of the Electric Bond and Share Company, and the Compañía Radiografica Internacional de Costa Rica, which is closely allied to the United Fruit Company. All radio stations in Costa Rica are privately owned. Licensing and control of radio broadcast stations and amateur radio operators is lax.

Military communications are very limited. There are no naval radio communications. The US Air Force maintains one radio installation at Parrita, but release of this station to the Costa Rican Government or a responsible private agency has been considered. The Department of Public Security and the De-

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partment of Internal Revenue have small inter-connected radio networks. In event of emergency the government would move to take control of all civilian communications facilities which were needed.

4. Air Transport.

Domestic air transport, which plays a highly important role in the normal activities of the country, is in the hands of three companies: LACSA (a Pan American subsidiary); TACA de Costa Rica (a TACA subsidiary); and Aerovías Occidentales (owned principally by US capital). TAN and TANSA, two other small domestic airlines, were declared bankrupt in 1948 and have ceased operations. TACA de Costa Rica, having backed the winning side in the 1948 revolution, enjoys a favored position and carried in 1948 over half the freight and

passenger traffic transported within the country. In 1948, 64,389 passengers were carried by domestic airlines and 8,280,854 lbs. of express and freight.

Three international airlines operate to and through San José: Pan American, TACA, and KLM. In 1948, 32,879 international passengers were carried to and from San José, and 1,595,376 lbs. of express.

All aircraft of both domestic and international airlines presently over-flying Costa Rica are of US manufacture.

There are 22 airfields in Costa Rica. Only four, however, have runways over 3,000 feet. Two of these have temporary runways and two have natural surface runways. In no case are Costa Rican airfields capable of handling larger planes than DC-3's on a routine basis.

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APPENDIX B

TOPOGRAPHY AND CLIMATE

1. Topography.

The larger portion of the territory of Costa Rica is an elevated tableland of from 3,000 to 6,000 feet above the sea. The country is traversed by the main cordillera of the American continent, with its two characteristic ranges with the wide plateau between. The chief mountains are mostly volcanic, rising above the main ranges of the cordillera, the highest peaks being Chirripo Grande, 11,485 feet, Irazú, 11,200 feet, Turrialba, 11,350 feet, Buena Vista, 10,820 feet, Pico Blanco, 9,645 feet, and Poás, 8,895 feet. The slopes to the Caribbean and Pacific shores are sharp, and the lowlands narrow on the Pacific and fairly broad on the Caribbean littoral. Although the Caribbean shore is broken by relatively few inlets or rivers, and even the salt water lagoons that skirt the other Central American countries and Panama are less in evidence, the Pacific shore is broken by great bays and swift rivers. These include three gulfs and bays of prime importance, the Gulf of Nicoya, the Golfo Dulce, and Coronada Bay. The Gulf of Nicoya is a landlocked bay filled with tiny islands and dominated by hills rising sharply behind it on the mainland. The Golfo Dulce, on the other hand, is sharply cut, averaging 100 fathoms in depth and entirely without islands.

The chief river of Costa Rica is the San Juan, which has its origin in Lake Nicaragua and, flowing for most of its length through Nicaragua, forms the international boundary for a considerable distance. The Río Colorado, the most important of its many mouths, lies wholly within Costa Rican territory. The Reventazón, called the Parisimina through a part of its course, is the chief river entirely within Costa Rica. Rising in the foothills around the volcano Irazú, it flows through the central plateau and coastal lowlands to the Caribbean. Its valley is the route of the old Spanish highway from the coast, and now, of

the railway which connects the capital, San José, with the country's chief port, Puerto Limón. The Río Frío flows northward into Lake Nicaragua. On the Pacific slope, the Tempisque runs in a southerly direction into the Gulf of Nicoya. The Tarcoles, like the Reventazón, rises on the slopes of Irazú, the tip of the watershed between the Pacific and the Caribbean, and flows westward into the Pacific at the head of the Gulf of Nicoya. Toward the southeast, on the Pacific slope is the Río Naranjos, rising near the volcano Chirripo Grande, and beyond it the Río Grande de Terraba empties into Coronada Bay. The latter river has its headwaters in the mountains near the border of Panama. None of the rivers is long, nor is any one of them, except the San Juan, navigable for boats of any size.

Included under Costa Rican sovereignty is Cocos Island, an uninhabited tropical island lying in latitude 5°32'N., longitude 87°2'W. in the Pacific some 300 miles from the mainland.

2. Climate.

The climate of Costa Rica differs but little from that of the other Middle American countries. There are sharp contrasts, however, due to altitude, and the uncertainty of the winds at this point on the earth's surface, and variations in the currents along the Pacific coast. The climate of the central plateau makes the weather cool and refreshing. On the plateau the altitude is from 3,000 to 5,000 feet and the mean temperature is 68°F. On the coasts, the mean annual temperature is around 82°F. In both the coastal regions and the highlands the rainy season is generally from April or May to December. The Caribbean coast often has rain during the dry season when the trade winds bring rain clouds out of the Atlantic and precipitation on their coming in contact with the cooler air currents from the highlands of Costa Rica.

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APPENDIX C

BIOGRAPHICAL DATA

JOSE FIGUERES, born 30 September 1906 in San Román, Costa Rica, is of Spanish descent and is married to an American citizen. A planter and farmer, he was a pioneer in developing new coffee regions. The success and extent of his operations were made possible by wealthy Germans. From 1942 to 1944 he was exiled by the Calderón Guardia government to which he was opposed and operated a mercantile establishment of indifferent reputation in Mexico.

In 1948, subsequent to the Costa Rican presidential and congressional elections, he made a trip to Cuba in order to purchase arms. As a result of arrangements he made there with government officials and the organization that subsequently became known as the Caribbean Legion, he secured the arms and the collaboration of the professional revolutionaries that made possible his spectacular victory over the government forces during the civil disturbances. During the fighting he demonstrated definite tactical ability. As Chief of the Revolutionary Junta he assumed control of the pacified country in May 1948.

José Figueres has been described by his enemies as fanatical, violent, erratic, and unhinged, with an all-consuming hatred for the Calderón Guardia family. Whatever the truth of these statements may be, there can be no doubt that Don Pepe, as he is known by his personal friends, among whom are a number of the country's most substantial people, is eccentric when viewed in the light of the middle-class standards of Costa Rica. His capacity both for affection and hatred is highly developed. He tends to have the gentleman farmer's contempt for "people in trade." Neither a practical politician nor desirous of becoming one—an unusual attitude for a Costa Rican—he likes to affect the role of Cincinnatus and is fond of making "swords into plowshares" gestures, and vice versa, if he be-

lieves the needs of the country demand it. His politico-economic beliefs constitute a mixture of authoritarianism and strong government that would concede improved conditions for labor. To the problems of East-West rivalry he appears in the main indifferent, but he has left no doubt of his sympathy for the US as against the USSR. He is fanatically anti-Communist.

OTILIO ULATE BLANCO, President of Costa Rica, was born on 25 August 1897 in Alajuela, Costa Rica. He owes his political prominence to his position as owner and editor of the *Diario de Costa Rica*, the country's largest newspaper. Ulate served in the Costa Rican Congress from 1930 to 1938. Later, he founded the National Union Party, of which he is the leader.

In 1948, after a bitter political campaign, Ulate was declared the winner in the presidential elections. Subsequently, a hostile Congress voided his election. Civil disturbances ensued during which he led a passive role in the fighting and supported José Figueres, the leader of the revolutionaries. Subsequent to the pacification of the country, there were prolonged discussions between Ulate and Figueres. It was finally agreed that Ulate was to be recognized as President-elect under a military government headed by Figueres—the arrangement to continue for 18 to 24 months.

As events progressed, it appeared, however, that the two men held different views on how the country should be run: Ulate upheld a conservative point of view and preferred the reinstatement of a nineteenth century constitution; Figueres adhered to a more liberal line and advocated a new constitution that included many provisions designed to promote social justice. After much wrangling, a second agreement was made by the two men. It was decided to terminate the junta's power

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on 8 November 1949, at which time Ulate was to assume control of the government. Meanwhile, he was given full guarantees as to the loyalty of the military to his person and office, and in exchange he promised to persuade his supporters in the Constituent Assembly to pursue a more cooperative attitude toward the junta.

Otilio Ulate is primarily a politician, although at times he performs very well in the role of statesman. In the past he often seemed ready to compromise his own political beliefs in favor of preferment for himself and his adherents, and he seems primarily an individual who prefers to reconcile and compromise opposing viewpoints than to force decisions in favor of one side or the other. Thus, although personally a liberal and an admirer of the British Labor government, the rightist factions with which he has been associated in recent years and which he has welded into the National Union Party feel secure with him as

their leader. In matters of foreign policy, Ulate is pro-British and pro-US. He believes that Costa Rican trade with England should be resumed so that the foreign commerce of the country will not be entirely in US hands. He is militantly anti-Communist. In Central American affairs, as one devoted to pacific procedures, he opposes Costa Rican alignment on the side of the "democracies" in open challenge to the "dictatorships" and would prefer Costa Rica to pursue a more neutral and independent policy.

Ulate is flamboyant and susceptible to flattery. He is an excellent editor and writer, an amusing and charming and, if need be, forceful speaker. Except for heavy drinking, Ulate leads an exemplary life in Costa Rica. As a bachelor, he is fond of making trips abroad, especially to Panama, where his heavy drinking and "night-clubbing" are the source of much amusement and gossip among upper-class circles.

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APPENDIX D
STATISTICAL DATA
POPULATION

TABLE I
POPULATION: COSTA RICA AND EACH PROVINCE, 1927-1948 ¹

AREA	1948	1942	1932	1927
Costa Rica	825,378	687,354	539,654	471,524
San José	269,899	223,238	175,408	153,183
Alajuela	171,896	144,592	112,600	97,577
Cartago	120,947	103,448	81,067	70,198
Heredia	59,202	51,973	43,042	38,407
Guanacaste	100,500	81,958	60,550	51,142
Puntarenas	59,746	44,011	32,897	28,739
Limón	43,188	38,134	34,090	32,278

¹ Population estimates as of 31 December for each year except 1927, the figures for which were collected in the population census of 11 May 1927.

TABLE II
ENUMERATED POPULATION AND DISTRIBUTION BY RACE:
COSTA RICA AND EACH PROVINCE, 1927 ¹

AREA	ALL RACES	WHITE	MESTIZO	NEGRO	INDIAN	MU-LATTO	YEL-LOW	NOT SPECIFIED
Costa Rica	471,524	377,994	66,612	19,136	4,197	2,123	790	672
San José	153,183	133,089	17,807	431	1,334	408	45	69
Alajuela	97,577	90,820	6,519	24	126	41	26	21
Cartago	70,198	66,223	2,969	309	411	164	77	45
Heredia	38,407	36,828	1,546	1	...	24	4	4
Guanacaste	51,142	16,380	34,285	67	17	205	172	16
Puntarenas	28,739	23,594	2,413	301	1,244	862	220	105
Limón	32,278	11,060	1,073	18,003	1,065	419	246	412

¹ Latest census, 1927.

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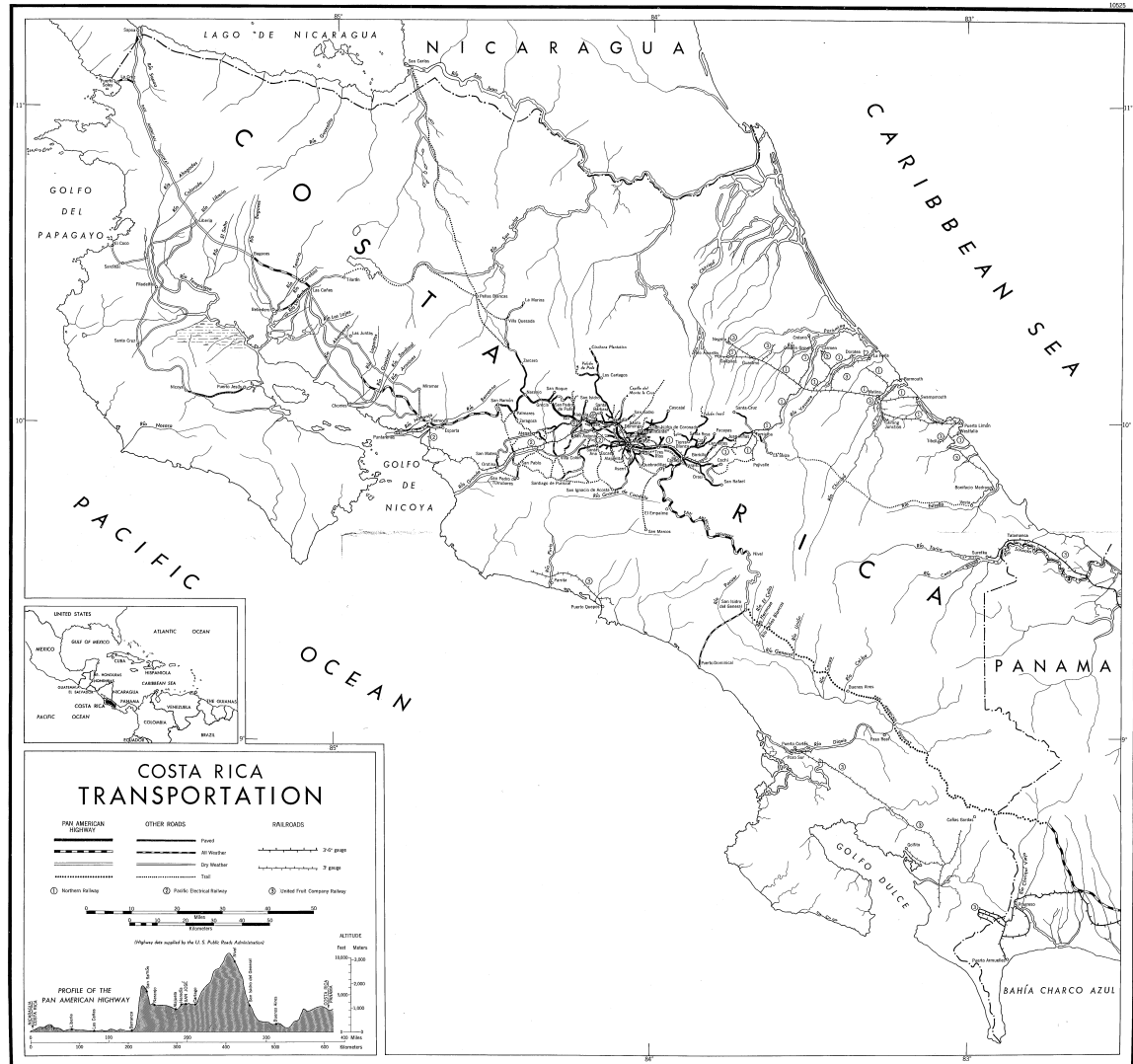
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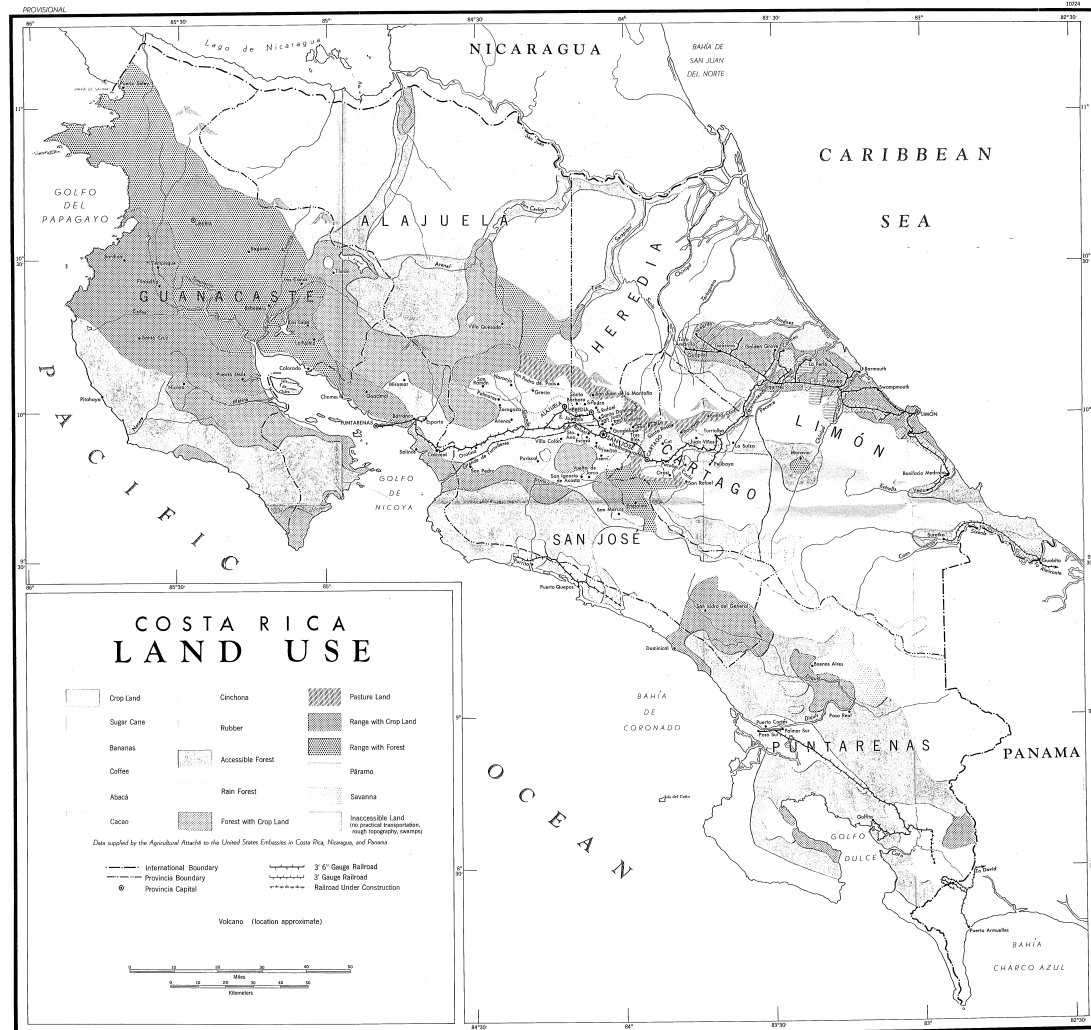
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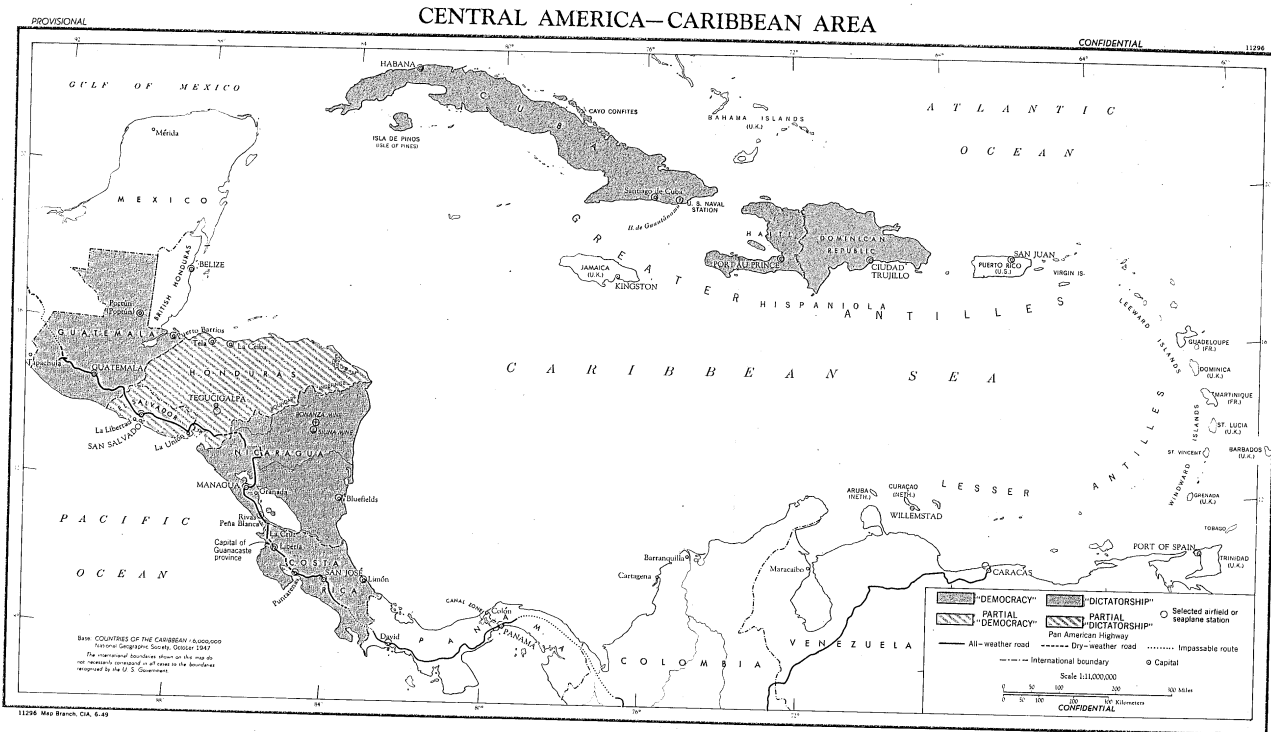
TABLE III
DISTRIBUTION OF POPULATION ESTIMATED FOR 1945

REGIONS	NUMBER OF INHABITANTS			PERCENT OF TOTAL
	<i>Urban</i>	<i>Rural</i>	<i>Total</i>	
CENTRAL: Including from Turrialba to Atenas	140,000	390,000	530,000	71
ATLANTIC: Limón, Linea, Vieja, San Carlos, etc.	11,000	42,000	53,000	7
GUANACASTE	4,500	90,500	95,000	12
Puntarenas: Including the Banana Zone and El General Valley	12,000	60,000	72,000	10
TOTAL	<u>167,500</u>	<u>582,500</u>	<u>750,000</u>	<u>100</u>

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