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AN

NORTH AMERICAN DEPARTMENT

AN

3611

Registry Number } **AN3611/441/32**
 FROM Mr. Sullivan,
 San José,
 No. 50 Confidential.
 Dated 5th October, 1948.
 Received in Registry } 13th October.

Record of conversation with Mr. Josef Rucinsky about the financial position in Costa Rica and the personalities in the Government.

Refers to San José despatch 49(AN3610/441/32)
 Conversation took place during the visit of representatives of the World Bank.

Copied Washington.

Last Paper.

AN 3610

References.

(Print.)

N. & C. America Vol.

(How disposed of.)

(Minutes.)

See also **AN 3610.**

1. The financial situation in Costa Rica is unstable, as a result of a lack of confidence in the government. The junta, under señor Figueres, claims to have a surplus of about £ 1/2 million for the period June - December 1948 but this is, however due to the inclusion of the estimated revenue of about £ 32 million, from the new 10% capital levy, which the government had previously stated was to be used for new schemes of capital investment and not to cover ordinary administrative costs.

2. A commission from the World Bank has recently visited Costa Rica. The government has tried to negotiate a loan to finance:-

30471 F.O.P.

(a) Ans

(Action completed.)

(Index.)

Next Paper.

AN 3612

- (a). An ambitious hydro-electric scheme.
 - (b). Renovation of the equipment of the Pacific Electric Railway.
 - (c). Import of agricultural machinery.
 - (d). A plant for pasteurizing milk.
 - (e). The meat industry.
 - (f). Complete reorganisation of the fish industry.
- (3). In view of the country's instability the World Bank is not prepared to make a loan at present. In the opinion of Mr Josef Kucinsky, a member of the World Bank's visiting committee, the Figueres government is well-intentioned and honest but incapable of dealing adequately with the tasks confronting it.
- (4). The Minister of Finance is now visiting Argentina, trying to arrange a barter exchange of sugar and wheat and obtain a loan of \$5 million.

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Ec. Dept. 10/11
S.A. Dept. 10/11
E. I. 10/11
L.A. I. 10/11
F.O. 10/11

There are two useful despatches
which

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Minutes.

which I suggest might be printed^{as one paper} *
N. & C. America Vol. 1 and copied
in print to

All L.A. posts, & letters.

Tsy.

H.E.

E.C.G.D.

E.P.D.

B.G.T.

Jackson 3/11

* No need to print
enclosure to disp.
No 49 CAN 3600.

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NOTHING TO BE WRITTEN IN THIS MARGIN.

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3611

British Legation,
San José, Costa Rica.
5th October, 1948

No. 50.
Confidential.

Sir,

In continuation of my despatch no. 49 of to-day's date regarding financial conditions in Costa Rica, I have the honour to inform you that during the recent visit to Costa Rica of representatives of the World Bank I had some conversations with Mr. Josef RUCINSKY, one of the representatives, regarding his impressions of conditions here and of personalities in the Government. Mr. Rucinsky, in a short space of time, formed a remarkably clear picture in his mind. He was constantly in consultation with señor Figueres and also with señor Marten, the Minister of Finance, besides attending meetings of the Junta as a whole; he visited both the Pacific and Atlantic coasts, the banana and abacá plantations, and coffee estates in the central plateau; he consulted both the United States Ambassador and me and he took pains to have private conversations with local businessmen.

2) It had been announced in the Press that the Costa Rican Government was seeking a loan of twenty million dollars, but Mr. Rucinsky informed me that no fixed sum had been mentioned to him and, most remarkably, that the Junta had prepared no schedule of their needs nor even of priorities. He ascertained however that señor Figueres entertained the idea of an ambitious hydro-electric scheme on the lines of the Tennessee Valley, which would cost initially about eighteen million dollars, a figure which was not known to the Minister of Finance, and that he personally gave this first priority. Señor Figueres seemed to prefer not to discuss this project in the presence of his Finance Minister. Other projects were the creation of a cement factory and those mentioned in paragraph five of my immediately preceding despatch.

3) Mr. Rucinsky told me in the strictest confidence that he did not propose to recommend to the World Bank that a loan should be given at the present time. He thought the Government too unstable, the political future too unsure, the projects of development too ambitious and the capacity of the members of the Junta too limited. While, he thought, as I do, that señor Figueres and the members of his Government, are honest men sincerely concerned with the improvement of conditions in the country, he thought the tasks confronting them were too big for their abilities. Mr. Rucinsky was impressed with señor Figueres, whom he thought able, but he had a poor opinion of the Minister of Finance whom he described as a theorist with brains but lacking in all practical experience and ability. He thought the World Bank would certainly not grant money for the ambitious hydro-electrical scheme, but that money for the agricultural and fishing industries might be forthcoming at some later date after the establishment of a Constitutional form of Government.

4) In his conversations with señor Figueres, Mr. Rucinsky tells me that he said that he thought that before any loans were granted the Costa Rican Government should honour their foreign loans. Señor Figueres asked if this was a first condition to which Mr. Rucinsky replied negatively but added that the Government must obviously in the first place re-establish its credit in the eyes of the world. Mr. Rucinsky also advised a (curtailment

His Majesty's Principal Secretary of State
for Foreign Affairs,
Foreign Office,
S.W.1.

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(2)

curtailment of luxury imports and that I understand will be the policy of the Government.

5) From conversations and observations Mr. Rucinsky concludes that when señor Ulate becomes President the services of the present members of the Government will be dispensed with, except probably those of señor Figueres, señor Orlich, Minister of Public Works and possibly señor Valverde, Minister of the Interior, whose brother was "murdered" while giving señor Ulate asylum.

6) It is rather remarkable that señor Figueres gave Mr. Rucinsky no facilities to meet señor Ulate until just before he left Costa Rica on his return to the United States. At that interview, señor Ulate deplored the high expenditure on armed forces for which provision is made in the budget. Mr. Rucinsky gained little information about relations with other Central American republics but he did not think that señor Figueres wished to be embroiled in armed conflicts, though he admitted that there was always the danger of his being carried away by events or possibly by the influence of such a man as señor Cardona, the Minister of National Security, -though he agreed that he was not a very forcible personality.

7) Mr. Rucinsky discouraged the Minister of Finance from visiting the United States and he has now gone to the Argentine to endeavour to arrange a barter exchange of sugar and wheat and to obtain a loan of five million dollars.

8) I am sending a copy of this despatch to His Majesty's Ambassador at Washington.

I have the honour to be, Sir, with the highest respect,
Your most obedient humble servant,

B. Sullivan

H.M. Minister.