AIRGRAM

FROM
Managua, Nicaragua

Dated January 5, 1944.

RECEIVED Jan. 10, 4 p.m.

SECRETARY OF STATE,
Washington.

A-4, January 5, 8:30 a.m.

An American businessman has just returned from
San Jose, Costa Rica, where he states Escalante, head
of the Petroleum Supply Commission, told him the fol-
lowing: Cortes has proposed that both he and Picado
withdraw from the campaign; that President Calderon
Guardia resign at once in favor of the First Designate,
in order to assure a free election; that thereafter
he and Picado select five persons each from their re-
spective followings; and that these ten men designate
two of their number as opposing candidates for the
Presidency. Escalante said that when President Cal-
deron Guardia learned of the proposal, he rejected
it with vehemence.

The observer also said that he found the campaign
between Cortes and Picado not (repeat not) to possess
the characteristics of a class struggle as had at first
been supposed, in as much as rich and poor alike were
found in both camps. President Calderon Guardia, he
said, is displaying marked self-confidence, which has
given rise to the rumor that he enjoys the support
of President Somox. In this connection, it will be
recalled that President Somox told me on November 4
that "the situation may so develop as to make neces-
sary my sending the Guardia Nacional across the border
to maintain peace."

Likewise in this connection, our Naval Attaché
has been informed by his colleague in San Jose that
the engineer of the Costa Rican launch Valerie has
asserted that on his next trip he expects to load ma-
cine guns destined to Costa Rica at the mouth of the
San Juan river.

Repeated to San Jose except last paragraph.

STEWART