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AIRGRAM

FROM

Managua, *Nicaragua*

Dated January 5, 1944.

Rec'd *Jan. 10, 4 pm*

DECLASSIFIED  
State Dept. Letter, 1-11-72  
By J. Schmale Date FEB 7 1972

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 following: 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 respective followings; and that these ten men designate two of their number as opposing candidates for the Presidency. Escalante said that when President Calderon 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 Somoza. In this connection, it will be recalled that President Somoza told me on November 4 that "the situation may so develop as to make necessary 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 machine guns destined to Costa Rica at the mouth of the San Juan river.

Repeated to San José except last paragraph.

STEWART