

order, and that this agreement should give Costa Rica somewhat more latitude than the old one did, he does not yet know what would be the official attitude of Washington in this connection. The Costa Rican authorities are aware of Cunningham's view, but he should of course not be quoted. Mr. Cunningham also remarked that more than 2/3 of the imports into Costa Rica come from the United States, and he felt that they were unduly concentrating their purchases in that quarter. For this reason he would himself be glad to see a larger proportion of the total originating in Canada. He feels that this country has to make use of the tariff as a source of revenue, that it may also fairly ask to be allowed to use protective devices for certain industries, and for these reasons he personally would like to see a new U.S.A. agreement with Costa Rica drawn in terms that would be more to the advantage of Costa Rica.

He added that although Costa Rica produces very fine coffee, he has been somewhat surprised to realize that agricultural development is progressing in the direction of more bananas and less coffee. Costa Rica could, however, greatly increase its production by the adoption of more up-to-date methods of agriculture, especially the use of fertilizer.

Mr. Cunningham's views tend to parallel those of the Costa Rican authorities in that the Minister of Finance has informed us that Costa Rica is bringing out a new tariff, which they hope to have in effect by about the end of 1951, which they wish to make a one-column tariff and which will incorporate the present exchange surcharges in the form of higher duties on those goods considered less essential, as well as higher duties for protective purposes.

This letter is going forward in triplicate and enclosed are three copies of the English text† — the copies have been certified — so that you may forward a copy of the letter and of the text to the Department of External Affairs and to the Department of Finance. Also enclosed is our translation of the opening and closing paragraphs† of the reply received from the Costa Rican Minister of Foreign Relations.

On examining the text in detail, you will note at the beginning of Article VII a provision that in case the Government of either country ceases to extend most-favoured-nation treatment to a third country through which goods move in transit between Canada and Costa Rica, the consultation procedure may be adopted. This sentence was put in at the request of the Costa Ricans, who pointed out that a substantial proportion of Costa Rican exports to Canada passes through the United States. If the United States should cease to enjoy m.f.n. treatment in Canada, this would automatically deprive the Costa Rican products in question of the privileges contemplated. For this reason they wish to have the United States explicitly mentioned as one of the countries through which goods might be shipped to enjoy m.f.n. treatment. We pointed out that the withdrawal of m.f.n. privileges from the U.S.A. was a most unlikely occurrence, one which not take place without ample notice and one which would automatically bring the consultation procedure into effect without explicit mention. In view of their strong desire to be protected on this point, however, we devised the sentence in question in such a way as not to men-